

**Self-Employment for Women:  
Policy Options that Promote Equality  
and  
Economic Opportunities**

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- the original contribution the report would make to existing work on this subject, and its usefulness to equality-seeking organizations, advocacy communities, government policy makers, researchers and other target audiences.

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## ABSTRACT

Women form a sizable and growing proportion of the self-employed in Canada. Certain factors associated with female self-employment contribute to the financial vulnerability many self-employed women experience. Compared to self-employed men, self-employed women are more concentrated in the service industry, are more likely to work part-time hours and from their homes, are more likely to work on their own account (with no or very few employees) and are less likely to have their businesses incorporated. Their lower incomes, coupled with fluctuations in business markets, can place them in a precarious financial situation. Lack of access to Employment Insurance (EI) benefits in the event of personal illness, childbirth or adoption, or acute family caregiving situations, the high cost of private insurance, and difficulties securing small loans present additional and serious obstacles that affect self-employed women, their families and their businesses.

In light of these circumstances, one major aim of the current study was to identify potential policy options to promote equality and economic opportunities for self-employed women, particularly during periods when their businesses are interrupted by ill health or family caregiving. We used a Policy Delphi approach to solicit opinions from two samples of self-employed women (including both higher and lower income earners), as well as from representatives of various other stakeholder groups (e.g., government, banks, insurance companies and professional associations). We examined both public and private approaches (i.e., changes to the current EI system, a tax-sheltered savings plan and private insurance) and concluded that changes in public policy and in private savings, financing approaches, insurance, and other services are required to serve two complementary functions: fulfill social protection needs and support for the business needs of self-employed women.

Specific recommendations are made that would enable self-employed individuals to have broader social protection by extending EI special benefits to them, and enhanced flexibility to protect their business earnings through both private sector mechanisms and tax incentives.



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## ACRONYMS AND ABBREVIATIONS

BDC	Business Development Bank of Canada
CBSC	Canadian Business Service Centre
CCRA	Canada Customs and Revenue Agency
CESG	Canada Education Savings Grant
CPP	Canada Pension Plan
EI	Employment Insurance
EU	European Union
HRDC	Human Resources Development Canada
IC	Industry Canada
IDA	Individual development account
MISSOC	Mutual Information System on Social Protection
OASE	Own-account self-employed
OECD	Organization for Economic Co-operation and Development
OMA	Ontario Medical Association
RESP	Registered Education Savings Plan
RHOSP	Registered Home Ownership Savings Plan
RRSP	Registered Retirement Savings Plan
SEA	Self-Employment Assistance
SWC	Status of Women Canada
UI	Unemployment Insurance
WEI	Western Enterprise Initiative

## PREFACE

Good public policy depends on good policy research. In recognition of this, Status of Women Canada instituted the Policy Research Fund in 1996. It supports independent policy research on issues linked to the public policy agenda and in need of gender-based analysis. Our objective is to enhance public debate on gender equality issues to enable individuals, organizations, policy makers and policy analysts to participate more effectively in the development of policy.

The focus of the research may be on long-term, emerging policy issues or short-term, urgent issues that require an analysis of their gender implications. Funding is awarded through an open, competitive call for proposals. A non-governmental, external committee plays a key role in identifying policy research priorities, selecting research proposals for funding and evaluating the final reports.

This policy research paper was proposed and developed under a call for proposals in September 2000, entitled *Women's Access to Sustained Employment with Adequate Benefits: Public Policy Solutions*. Other research projects funded by Status of Women Canada on this theme examine issues, such as policy options for women in non-standard employment, improving working conditions among home day-care providers, supports for single mothers and women with disabilities, and occupational health.

A complete list of the research projects funded under this call for proposals is included at the end of this report.

We thank all the researchers for their contribution to the public policy debate.

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We would also like to thank our participants from the banking industry, insurance providers and brokers, the executive directors of associations, representatives from non-profit training programs, day-care agencies, and federal and provincial governments for taking the time to speak with us and to offer their opinions and expertise on this important issue.

We are grateful to Status of Women Canada — the funders of this study — who appreciated the need for conducting a gender-based policy analysis of the conditions that affect self-employed women, but also affect men.

Finally, we would like to thank the other members of the research team: Mona Abbondanza, Jane Boyd, Jocelyne Tougas and Lise Bourque.

Mona Abbondanza co-ordinated the data collection in Quebec and played a crucial role in recruiting insurance companies, associations, banks and self-employed women living in Quebec. She performed a tremendous amount of translation for us, conducted and transcribed interviews, and provided us with feedback on the final report. She also provided her insights from years of experience in researching women in small businesses.

Jocelyne Tougas played a key role in contacting and facilitating our access to and meeting with senior representatives in the Ministère de la Famille et de l'Enfance (now renamed the Ministère de l'Emploi, de la Solidarité sociale et de la Famille). She also recruited and interviewed directors of day-care agencies in Quebec and provided translation.

Jane Boyd reviewed drafts of the interview schedules, recruited stakeholders and self-employed women in the West, and reviewed and edited the final report. Jane's own experiences as a self-employed businesswoman and new mother grounded our research in a new way.

Special thanks to Lise Bourque for her assistance with formatting the final document, composing charts and tables, helping to summarize the qualitative data, transcribing and double-checking statistics in the report. There are several other students we would like to mention who helped us to gather pertinent literature, conduct Web-based searches, recruit stakeholders, conduct interviews with self-employed women and transcribe interviews. These include Geneviève Rochon, Melanie Schmidt, Amy Thompson, Aline Caillaux, Pascale Denis and Elsa Lemaire.

## EXECUTIVE SUMMARY

Recent changes in the Canadian labour force, along with other demographic and social trends, have altered the nature of work. Growth in the number of individuals involved in non-standard forms of work, including self-employment, has resulted in an increasing proportion of Canadians who fall outside of labour and social protection policies. In 2002, more than 2.3 million Canadians (15 percent of the labour force) were self-employed (Bowlby 2002). While self-employment has declined slightly in the last two years, over the last quarter century, particularly in the last decade, self-employment grew more rapidly than total employment, especially among women (Schetagne 2000).

Self-employed women are more likely than their male counterparts to be in the service sector, to have home-based businesses, to be own-account and to work part time (Hughes 1999). The greater likelihood of reduced earnings as a result of these factors affects their ability to save for maternity, sickness and other family-related leave, to purchase health and business insurance, and to access business financing. These gender divisions within self-employment call for more gender-based policy analyses. To address this need, our research focussed on documenting challenges to self-employed women's financial security, particularly when their earnings are interrupted after childbirth/adoption or for personal or family health reasons, and identifying policy mechanisms that could promote greater economic security for self-employed women.

The project employed a Policy Delphi methodology, involving multiple rounds of contact with various stakeholder groups through surveys and interviews in three phases of data collection. Key informants included 168 self-employed women from across Canada involved in a variety of occupations, and 56 representatives from federal and provincial governments, banks and credit unions, the insurance industry, agencies that contract the services of self-employed women, professional associations and non-profit organizations that offer training and support to self-employed women.

### Specific Findings

- Most self-employed women had difficulty taking time away from their business for maternity/parental, sickness or family caregiving reasons, because of their inability to find a replacement, reduced earnings, loss of clients and loss of visibility.
- When given various choices, most self-employed women preferred earnings protection for maternity/parental leave via a voluntary government-regulated plan.
- When the voluntary government plan was deemed not to be financially feasible, a tax-sheltered savings plan became our respondents' top preference for maternity/parental earnings protection, because it permitted more autonomy and flexibility, and involved less government bureaucracy and regulation. However, those with low earnings or in the start-up phases of their business would not have the funds to contribute. This method also risks depleting retirement savings.

- Quebec has passed legislation that would extend maternity and parental benefits to the self-employed, separate these benefits from sickness and unemployment benefits, and enhance the level of payable benefits. Such provisions increased self-employed women's acceptance of coverage under a mandatory government-administered program, as did allowing part-time work without a significant income clawback, providing some flexibility in duration and extending special benefits to include dependent care leave.
- About half our sample (primarily those with low earnings) did not have private disability or supplementary health insurance. Access to disability insurance was limited by cost, having a prior medical condition, being in a high-risk occupation, and not having enough information about it or enough time to look for it.
- Some self-employed participants would have liked the opportunity to purchase more affordable group insurance from an association. However, insurance providers saw this as problematic due to the inability of associations to guarantee participation rates and other administrative difficulties.

**Recommendation: Enhance income protection for maternity, parental and short-term sickness and dependent care leave.**

We believe all working women (regardless of industry, level of earnings, or form of labour) have a right to earnings protection after the birth or adoption of a child or when they or their dependants become ill. However, the current structure of the Employment Insurance (EI) program does not provide equitable access to all workers. Moreover, current provisions result in a significant drop in earnings for working parents, and offer no earnings protection to those with a gravely ill parent or child. We, therefore, recommend the following changes to the existing federal EI program.

- Separate maternity, parental and sickness benefits from regular EI benefits.
- Add dependent care as a category of special benefits, providing support for caregiving for an acutely ill parent, child, sibling or spouse/partner.
- Allow new parents the option of taking a shorter leave at a higher percentage of benefits.
- Reduce the penalty for working part time while collecting benefits and enhance the amount one can earn before benefits are clawed back.
- Increase payable benefits from 55 percent of average insurable earnings to 70 to 75 percent of earnings and raise the ceiling from \$39,000 to \$52,500.
- Base eligibility criteria on a minimum level of gross earnings rather than the number of hours worked.
- Extend eligibility to the self-employed.

**Recommendation: Enhance access to long-term disability benefits.**

We recommend:

- Canada Pension Plan regulations be changed to allow those collecting disability benefits to work part time when feasible, to enable workers a gradual return to work and to enable self-employed individuals a way to keep their business going.
- Associations for self-employed women should collaborate to build a larger pool of members to obtain group insurance at lower premiums.

**Recommendation: Create options to sustain businesses during economic slowdowns and business interruptions.**

We believe the government's role in this area should be in servicing areas not already offered by the private sector. This could involve the following.

- Assure greater access to low-interest emergency micro-loans.
- Identify under-serviced regions and populations, and gaps in service.
- Build stronger links between government programs and associations.
- Implement a graduated loans program for women unable to secure other funding to start their business or to provide bridge funding during slowdown periods.
- Create a tax-sheltered savings plan to allow self-employed workers to save some of their earnings for periods when they experience cash flow difficulties.

We also suggest the banking industry remove barriers to the granting of loans in the service sector, and increase the transparency of their lending criteria.

**Recommendation: Enhance access to training, mentoring and information.**

We recommend the following.

- Make government subsidies available to self-employed women in low earning categories who wish to upgrade their skills.
- Have banks and associations re-evaluate their criteria for mentoring programs.
- Post information about sources of business funding on government, bank, credit union, and professional association Web sites.
- Facilitate the transfer of information from providers of services to self-employed women.

The results of this study provide useful information on which to base possible policy decisions. A mix of approaches is ultimately far more likely to promote income security and

economic success, and afford important social protections to self-employed individuals and their families.

We urge the Prime Minister's Task Force on Women's Entrepreneurship and the relevant departments and committees to study this report and consider its recommendations.



# 1. INTRODUCTION TO THE STUDY

“The linkages and interactions between labour markets and social protection systems are extremely important factors in the successful functioning and overall well-being of modern societies. Together, labour markets and social protection systems determine the distribution of resources within a society and the types of incentives available to individuals in their economic choices, as well as affecting social developments, such as the economic emancipation of women, the increase in life expectancy and fluctuations in the birth rate. The proper management of the relationship between the labour market and social protection is an extremely important challenge. The price of failure can be very high in terms of unemployment, poverty and social exclusion (Sarfati 2002:11).

## Policy Challenges

In the last two decades, a number of developments have posed significant challenges to existing labour market and social policy approaches. Challenges arise from globalization and the pressure to be economically competitive, demographic shifts, and changes in labour markets and patterns of work. Analyses of these changes across the Organization for Economic Co-operation and Development (OECD) countries and within the European Union (EU) have identified the critical need for nations to improve and modernize social protections while supporting job creation and economic growth. Critical goals relate to *both* social cohesion and economic vitality.

The need to reform the labour market policies and social protection systems developed decades ago under different social and economic circumstances was highlighted in Canada most explicitly in 1993-95 in the discussions related to the Federal Social Security Review. Changes to Canada’s unemployment insurance program were identified as prime examples of the need to innovate and adopt an active approach to encourage employability through training, with more stringent eligibility criteria for receiving “passive” income support. In Europe, concerns about high rates of unemployment and social exclusion, along with pressures to be economically competitive, have resulted in a considerable amount of discussion over the last decade. Documents, such as the 1997 report “Modernising and Improving Social Protection in the EU” (EC 1997), which are being used to help construct European Parliament resolutions, illustrate how economic and social policies can be mutually reinforcing. As noted in a recent EU document:

Social protection provides not only safety nets for those in poverty; it also contributes to ensuring social cohesion by protecting people against a range of social risks. It can facilitate adaptability in the labour market and can thus contribute to improved economic performance. Social protection is a productive factor. “Modernising” social protection means to make best use of its potential as a productive factor (EC 1999: 6-7).

The historical development of social protection policies in industrialized countries includes a mix of policies and programs that provide protection against health risks, family benefits, unemployment compensation and retirement pensions. Employment-related insurance plans and pensions were developed in the postwar period on the assumption of stable, full-time and permanent employment through most of one's working life, and were most relevant to men as the primary family wage earner. Changes in labour markets, in family composition, and in women's economic and social roles over the last two to three decades have resulted in much different circumstances.

Of most relevance to the current study is the extent to which non-standard patterns of employment, particularly self-employment, require new policy options to ensure income adequacy and protection for self-employed individuals and their families. Concerns about income adequacy and the lack of protection for self-employed individuals in the event of illness, disability, and circumstances in which business is interrupted or limited as a result of family caregiving responsibilities apply to both self-employed women and men. However, research demonstrates that self-employed women are the more vulnerable group due to their economic and social circumstances.

### **Women and Self-Employment**

The number of women in self-employment has grown considerably in almost all industrialized countries. In some cases (such as Canada), it is a major force in job growth. Yet women face additional barriers compared to men. They generally have extra difficulties in starting up and managing a business, tend to start with less capital than men and often favour less ambitious projects, orienting to a local market. They may face barriers in obtaining capital, are more likely to work on their own and, on average, have lower earnings, as noted in the following chapter. Of particular note are the additional challenges they face with respect to child care and other family obligations, particularly in countries with less developed child-care provisions (Esping-Andersen 2000). While there have been several recent studies of self-employed individuals, there is still an important gap in our understanding of the specific challenges self-employed women face, and in the application of that knowledge to reduce adverse economic and social outcomes for the women, their businesses and employees, and their families.

### **Extending Social Protection to Self-Employed Individuals**

A companion to the development of active labour market policies, including those that support self-employment and entrepreneurship, is the need to extend social protections to the self-employed and others engaged in non-standard work. Self-employed individuals are often excluded from forms of social protection based on employee contributions.

In Canada, two separate reports by the Standing Committee on Human Resources Development and the Status of Persons with Disabilities (2001a,b) recommended the Government of Canada consider developing ways to extend social protection coverage to the self-employed under the Employment Insurance (EI) program. The first report (in May 2001), noted some of the difficulties associated with the "moral hazard" problem of

distinguishing between voluntary and involuntary unemployment among self-employed workers. It recommended the government develop a mechanism for extending EI coverage, both in terms of regular and special benefits,<sup>1</sup> for self-employed workers. The second report (in June 2001) recommended enabling self-employed parents to qualify for maternity and parental leave benefits. Some members suggested coverage could more easily be extended to the self-employed under a separate parental insurance plan offered as an extension of a family policy, rather than as a component of EI, which is designed primarily as a labour market policy. (This approach has been developed in Quebec, but has not been implemented.)

A very recent overview of social protection schemes extended to the self-employed, based on comparative information from member states in the European Union (MISSOC 2002), indicates the increasing interest in this area. The Mutual Information System on Social Protection (MISSOC) database began with efforts to compile information about social protection for self-employed farmers, who play a particularly important role in the member states. The following year, information was added for craftspeople and self-employed tradespeople. In some cases, additional information is available about other groups, such as self-employed retailers. It is clear from the review and the available comparative tables that various countries have taken steps to ensure guarantees of social protection to some self-employed groups. The specific types of protection available and the specific mechanisms for including self-employed individuals in insurance and benefits schemes vary across countries and, sometimes, across groups of self-employed within a country. Included in the large group of “social protections” covered by the review are health insurance that provides access to medical services, cash benefits for sickness and maternity, membership in plans that provide benefits in the event of invalidity (long-term disability), retirement pensions, survivors insurance, particular family benefits and unemployment insurance. The particular approach each country has taken is rooted in its larger historical, social and political/philosophical context.

#### **Four Models for Extending Social Protection to the Self-Employed**

- The MISSOC review identifies four schemes for extending social protection to the self-employed:
- a national insurance approach that insures all citizens in the same way against elementary risks, without regard to their social status or their participation in working life;
- an approach that considers risks that arise from gainful employment and is aimed at the protection of all working persons, including the self-employed as well as employees;
- circumstances, in which general systems that historically served to protect employees have been opened up to the self-employed, either as compulsory insurance or on a voluntary basis (In some countries, the compulsory level provides benefits at a lower rate, with greater or more extensive coverage provided for self-employed individuals who pay a higher premium.); and

- special schemes developed especially for the self-employed as a whole or for individual groups of self-employed people (e.g., farmers) (adapted from Annex 2, MISSOC 2002).

While in some cases, a country fits more generally into one of the four models, in other circumstances, a mix of these four approaches may be used, depending on the particular form of social protections available. For example, in Canada, all citizens and permanent residents are entitled to universal health coverage; both the self-employed and employees contribute to the Canada Pension Plan; and there are special mechanisms for extending EI benefits to unique groups of self-employed individuals (fishers, hairdressers). An elaboration of the particular approaches used in each country is beyond the scope of this report; interested readers are referred to the review and to the various comparative tables on social protection in member states available on the Web site of the European Commission (EUROPA).

In general, those countries that include self-employed workers under general schemes do so most often within health and pension systems, and with respect to child/family benefits, with many providing cash benefits for maternity. Most countries do not insure the self-employed against employment injuries or unemployment. Sweden is the only country that provides social insurance to the self-employed in the case of bankruptcy. The main point is, however, that various countries have enacted, or are considering, ways to extend important protections and social benefits to the self-employed as an important economic and social goal, and there are various means to do so. There are relatively few instances of voluntary opting-in to social protection insurance or benefits programs, given the premise of pooled risk and shared protection. Premiums are often based on a percentage of income up to various thresholds and vary across different countries and different types of protection.

### **The Goals of This Research Project**

- The overall goals of this study were to identify potential policy options to promote equality and economic opportunities for self-employed women. We were interested in identifying ways to enhance their success, and to provide some form of protection in the event that personal or familial health or caregiving responsibilities affected their earnings capacity or the survival of their business. Specific objectives included the following.
- Identify challenges experienced by self-employed women who must take an extended absence from their business due to sickness, maternity or caregiving responsibilities.
- Identify barriers experienced in accessing private insurance for accidental injury or personal illness among self-employed women.
- Conduct an analysis of whether and how Employment Insurance coverage might be extended to self-employed individuals, particularly for special benefits and, potentially, in the event of significant income loss or fluctuations.
- Examine other policy options that might provide income security to self-employed individuals, with particular attention to instances when their business may be interrupted

or affected by childbirth, adoption, personal illness, disability or other family circumstances.

- Identify whether different policy options are required to meet the needs of self-employed women under different circumstances. One situation relates to self-employed professionals (e.g., dentists, accountants, business consultants) and owners of incorporated businesses who have higher earnings potential. A second group consists of self-employed women who provide caregiving services and who often work out of their own home and have lower earnings potential.
- Identify those subgroups among the self-employed who may be particularly vulnerable to economic and social risks. These include single women, lone parents, co-preneurs and low income self-employed, whose personal and family circumstances provide little income security and no access to employment-related benefits.
- Identify the conditions under which it may be desirable and feasible to provide income security through government programs and services vs. private mechanisms. Also identify potential ways government and the private sector could co-operate to provide more options for self-employed women who may wish to purchase private plans or save for unforeseen circumstances.

To accomplish these objectives, we engaged in a three-phase study that included surveys of self-employed women and interviews with a variety of stakeholders. Stakeholders included representatives of banks, insurance companies, organizations and associations that serve the needs of self-employed women, and government officials at the federal and provincial levels. A Policy Delphi technique was used to obtain more refined perspectives on three policy options.

We believe the results of this study provide a useful base of information for deciding among policy alternatives that differ in the extent of government administration and private investment involved. Selection of one or more approaches will require additional examination and must consider the goals and importance of pooled-risk, social protection policies, as well as the need to address the diversity of situations included in the broad category of self-employment. We believe a mix of well-designed approaches will ultimately be far more likely to promote self-employed women's income security and economic success, and afford them the necessary social protection that is important to them as contributors to the Canadian economy and as citizens and family members.

## **2. LITERATURE ON SELF-EMPLOYMENT AND THE UNIQUE CHALLENGES FACED BY SELF-EMPLOYED WOMEN**

In 2001, almost 2.3 million Canadians were self-employed (Bowlby 2002). While self-employment has declined slightly in the last few years from a high of 18 percent, over the last quarter century, particularly in the last decade, self-employment grew more rapidly than total employment. Between 1990 and 1998, self-employment accounted for 58 percent of the new jobs created (Schetagne 2000). Although men still comprise the majority of self-employed workers (65 percent), the main increase in self-employment has been among women (Hughes 1999; Moore 1999). In 1977, only 21 percent of the self-employed were women; this proportion rose to a high of 36.1 percent in 1998 and declined to 34 percent in 2001 (Industry Canada 1999). Recent figures indicate that over three quarters of a million women were self-employed in 2001 — 11.2 percent of all employed women in Canada (Statistics Canada 2002).

Although self-employment allows women to work more autonomously and may provide the flexibility needed to accommodate family-related obligations, the lower incomes associated with self-employment, and the instability in income associated with fluctuations in the demand for products and services place many self-employed in a precarious financial situation. The fact that more than half of self-employed women (and men) have no earnings protection in the event of illness or disability puts them at further risk. Finally, self-employed women (and their families) are further disadvantaged by the fact that they are not eligible for Employment Insurance, maternity or sickness benefits.

These conclusions reflect the responses of self-employed individuals to a Statistics Canada survey conducted in 2000. When asked what they liked most about being self-employed, both men and women said they appreciated the autonomy and control self-employment provides, with a close second for women being the flexible hours that enable them to work from home. When asked what they disliked most, self-employed people responded: the uncertainty and insecurity they experience (reported by 22 percent of participants), long hours with no time off work (15 percent), income and cash flow fluctuations (12 percent), and lack of benefits (7 percent) (Delage 2002).

The following review describes characteristics of self-employed women, their financial security and difficulties in accessing credit, their access to various types of benefits and insurance, and their attitudes toward extending maternity and sickness benefits to self-employed workers.

### **Business Profile**

#### **Self-employed women own fewer incorporated businesses than self-employed men.**

Among self-employed women, 25 percent own an incorporated business compared to 39 percent of men (Hughes 1999). This means that in three quarters of female-owned businesses, their personal assets (e.g., home, car, tools), in excess of personal exemptions,

remain unprotected in the event of bankruptcy or if the business is found liable of any legal wrongdoing.

**Self-employed women are less likely to employ others in their business.** In 2001, 61 percent of female-owned businesses were run by own-account self-employed (OASE) women (i.e., without employees), while 39 percent involved at least one employee. Among self-employed men, there was equal representation among those own-account and those who were employers (Delage 2002). Own-account businesses have risen more sharply (for both men and women) in the last decade, compared to businesses with employees (Hughes 1999).

**Self-employed women are more likely than self-employed men to work part time.** Part-time work is especially prevalent among self-employed women without employees. In 1997, almost half of self-employed women who were OASE (45.7 percent) worked part time compared to only 17.4 percent of OASE men (Hughes 1999).

**Earnings of self-employed women are lower than for women who are paid employees.** Analyses of 1994 earnings of the self-employed revealed that almost three quarters of self-employed women (72 percent) earned less than \$20,000 that year compared to 48 percent of women in paid employment (Lin et al. 1999). The average income of women who were OASE was \$14,800, considerably less than the average of \$28,800 earned by women employees (a 55 percent differential) (Lin et al., as cited in Jackson et al. 2000).

**Self-employed women who are employers earn more than self-employed women who work on their own.** In 1994, six of ten OASE (including men and women) earned less than \$20,000; only one in ten earned more than \$50,000 (Jackson et al. 2000). More recent analyses of earnings among the self-employed confirm that OASE earn less than employers. More than a third of OASE in 1999 had net incomes of less than \$20,000 compared to only 14 percent of employers (Delage 2002).

**The earnings gap that exists between men and women's income extends to self-employed workers.** Among full-time workers, self-employed women earn 67.3 percent of what self-employed men earn (Jackson et al. 2000).

**Women's lower earnings, in comparison to men, are attributed to part-time work, child-care/homemaking responsibilities and a higher concentration in service industries.** A number of explanations have been proposed to account for the income differential between male and female business owners. One is that women are more likely to be working at their business on a part-time basis compared to men (Tal 2000). Others have argued that women's "second shift" doing child-care activities precludes them from being more aggressive in their business (Losocco 1997). A lack of industry experience and women's concentration in lower-paid industries have also been put forth as explanations for gender differences in earnings (Mirchandani 1999).

**Self-employed individuals work more hours than paid employees.** Despite making less money, self-employed workers work longer hours, on average, than employees. Delage

(2002) found that among full-time self-employed persons, the average weekly hours were 48.8 compared to 40 hours among full-time employees. Men tend to work longer hours on average than women. The average work week is also longer for employers compared to those who are own-account.

### **Personal Profile**

**Self-employed workers are older, on average, than employees, but most of the recent growth among self-employed women has been for those under 30 years of age.** As a group, self-employed Canadians tend to be older, on average, than paid workers, with only 25 percent younger than 35 years of age. Among female entrepreneurs (with employees), close to 70 percent are between the ages of 34 and 55 (Delage 2002).

However, there are indications that in recent years younger women have entered self-employment in increasing numbers. From 1991 to 1996, there was a 44.3 percent growth in self-employment among women. Much of this growth occurred in women under 30 years of age who accounted for four of five new entrants (Korabik and Rosin 2002).

**Immigrants form a small, but significant segment of the self-employed. They tend to work in lower earning sectors and earn less than non-immigrants/minorities.** Immigrants account for 17.7 percent of the self-employed (the same for men and women) (Delage 2002). Notably, most immigrants who are self-employed arrived in Canada when they were young — a third before the age of 15 and an additional third between 15 and 29 years of age (Delage 2002). Self-employment finds immigrants and other minorities disproportionately in lower-paying service jobs where they also earn less than non-immigrant/minority counterparts (Jackson et al. 2000).

### **Occupational/Industry Segregation**

**The gendered divisions in occupational sectors that exist in paid work are reproduced in self-employment.** The self-employed represent an incredibly diverse group that includes well-paid professionals and business owners, smaller retailers, and providers of a wide variety of business and personal services. Women business owners are overrepresented in the retail trade sector (44 percent of self-employed women compared to 16 percent of men) (Delage 2002). In contrast, self-employed men are overrepresented in blue collar occupations and industries. Brown et al. (2001) reported declining participation rates in the retail and trade sector, and rising rates of participation in business services since 1977 among self-employed women. However, the fastest growing areas of self-employment in the 1990s included non-institutional social services — mainly child-care providers, whose numbers grew by 39 percent between 1991 and 1996, and another category that includes janitors and cleaners. These jobs (largely own-account) are disproportionately occupied by women (see Industry Canada 1998).



## Financial Security and Access to Credit

**The financial stability of self-employed women is hampered by low earnings, fewer business skills and more restricted access to credit/financing.** Self-employment poses several other constraints on women's ability to achieve financial stability and success. For one, the lower earnings of the self-employed and their lack of access to benefits increases women's vulnerability to poverty (Lochhead and Scott 2000). Furthermore, surveys indicate women are more likely to use their personal savings to fund their businesses than are men (Brown et al. 2001).

Prior research also indicates that, compared to men, self-employed women have less business and management experience and a higher probability of discontinuance (Srinivasan et al. 1994). Weak management skills have been cited as the most common reason for business failure (Gasse and d'Amboise 1997, cited in Brown et al. 2001). Several studies have documented that female-owned businesses have lower sales revenues and smaller firm sizes (Moore 1999; Riding and Swift 1990). It has been suggested that lower firm growth among female-owned businesses is due to the motivations and expectations of self-employed women, a lack of resources, caregiving demands and a lack of role models (Brown et al. 2001; Lee-Gosselin and Grise 1990). Results from other studies, however, have suggested that the growth rates of female- and male-owned businesses are more similar than previously believed (BDC 1997).

**Although self-employed women perceive gender discrimination in lending practices, most studies show that approval rates are based on business-related factors (e.g., size of business, industry, legal status of business) rather than gender. There may be gender differences in the conditions under which loans are granted, however.** The Canadian Labour Market and Productivity Centre (1995) summarized the unique barriers faced by women entrepreneurs in achieving business success:

- attitudes of lenders and suppliers;
- the overrepresentation of women in the retail and service industries (where the work is characterized by high work demands and low financial returns);
- insufficient management training and operational experience; and
- limited support networks.

In one study, 38 percent of female business owners felt their gender was related to the obstacles they faced in dealing with their customers, suppliers and banks (Lee-Gosselin and Grise 1990).

Although there has been speculation that banks are less willing to give credit and loans to female business owners, findings to date have been inconsistent. Several Canadian national studies demonstrated that when structural differences are controlled for (e.g., size of company, type of industry, age), gender differences disappear (Fabowala et al. 1995). Another study by the Canadian Bankers Association in 1996 showed that women have to offer more guaranties

than men (74 percent compared to 64 percent for men). The condition of having a loan endorsed by the spouse is required more frequently for women (25 percent) than for men (13 percent) (Légaré and St-Cyr 2000). In addition, some studies have found gender differences with respect to interest rates and the imposition of conditions on the loaning of money (Riding and Swift 1990; Thompson, Lightstone & Co. Ltd. 1998). This may be due to the lack of collateral common to service industries.

**Home-based businesses are less likely to gain access to business credit.** It has recently been documented that home-based businesses are often deemed ineligible for business loans, resulting in home-based business owners having to rely on credit cards or personal loans (Jurik 1998). This represents a serious impediment to women entrepreneurs, since close to 70 percent of women-owned businesses are started from their homes (SWC 1998).

**Self-employed individuals have mixed feelings about a federal insurance program that would provide them with income support in the event of business/earnings loss.**

Human Resources Development Canada (HRDC) recently released a study based on 14 focus groups with self-employed men and women across Canada (Gower and Allard 2000). Most participants reported experiencing periods when business was slow. Strategies to deal with the lost income included finding additional paid work, saving money ahead of time, using a line of credit or loan, and relying on their spouse's income. When asked to comment on the possible implementation of an employment insurance program for self-employed individuals, many expressed ambivalent reactions including:

- concerns about the implementation of such a program;
- confusion about how benefits would be determined given the fluctuation of their incomes;
- scepticism that they would not receive the benefits in a timely manner to prevent the business from shutting down;
- a belief that there is no need for it, with the viewpoint that to be a successful entrepreneur, one needs to be able to plan ahead for expected slowdowns in the economy; and
- feeling a federal insurance program is contrary to the entrepreneurial spirit.

**Self-employed men and women are quite similar in having prepared for retirement, with those who are employers and in managerial/professional occupations being more prepared.** The survey of the self-employed (Delage 2002) queried respondents on whether they have saved for retirement. Overall, 90 percent reported they had some retirement savings (about 88.5 percent of women and 92 percent of men). Considerably higher rates of saving were noted for those who were employers vs. those who were own-account self-employed. In addition, those in service occupations had rates below average (84 percent) compared to those in managerial and professional occupations (95 percent). The limiting factor in this research study is that no information was obtained about the amount or adequacy of retirement savings.

## Access to, and Use of, Private Insurance Plans

***The majority of self-employed women do not have private insurance plans.*** In a survey of 802 randomly selected self-employed Canadian workers, only about one third of those surveyed (29 to 33 percent) reported having long-term disability, short-term disability and health/dental plans (Compas 2000). Over half the sample reported having no coverage at all for the above-mentioned benefits. In the most recent national survey of the self-employed, 40 percent stated they had supplementary health insurance and 42 percent reported having disability insurance (the proportions were equal for men and women) (Delage 2002).

Own-account self-employed, those who are younger, and those with lower incomes were less likely to have insurance compared to employers and those in managerial/professional occupations. For the majority, insurance was obtained through one of three sources: a spouse's plan, privately purchased insurance or coverage from a plan purchased through an association (Delage 2002).

**The cost of obtaining disability insurance is a serious challenge for self-employed workers, especially those in low-income brackets.** In the Compas survey, the most frequently reported barrier to accessing benefits was the cost (62 percent of respondents). Of those who purchased at least some type of private disability insurance, over 30 percent reported paying at least \$1,000 per year for their total annual payments; 50 percent reported paying between \$500 and \$1,000, and 25 percent reported paying less than \$500. Similarly, in the national survey of the self-employed, cost was the most common reason for not having disability insurance (40 percent of sample). Thirty-two percent had not thought about it or were procrastinating; 18 percent felt there was little value for the money it cost; and 4 percent did not qualify (Delage 2002).

**Self-employed women are less likely to have disability insurance than self-employed men.** Self-employed women were less likely to have disability insurance coverage than men (28 and 43 percent, respectively). Not surprisingly, insurance is less accessible to those in low earnings categories. Among those who reported having disability insurance, 41 percent were making \$60,000 or more, while only 23 percent were making less than \$20,000 per annum.

**Individuals working in professional/managerial occupations pay lower insurance premiums than individuals working in trade/blue collar occupations.** In a survey of Canadian insurance companies, generally, individuals with occupations in higher income brackets were charged lower rates, since they were considered to be lower risk (Mercer 2000). White collar workers (e.g., doctors, lawyers) pay about 40 percent less for their benefits compared to workers in the trade or blue collar occupations.

**Pre-existing health conditions preclude some self-employed individuals from having private disability insurance.** In some cases, self-employed workers can be excluded from obtaining disability coverage, depending on pre-existing conditions and symptoms. In the

survey of the self-employed, 3.6 percent cited not being able to qualify for disability insurance as the number one reason for not having coverage (Delage 2002).

### **Entry and Exits from Self-Employment**

**Women's entry into self-employment is related to unemployment rates.** Analyses by Lin et al. (1999) for the period from 1982 to 1994 found women's entry into self-employment is slightly, but significantly, related to unemployment rates, particularly full-time paid employment rates. This suggests women's job losses (which have been particularly striking in the public sector and in health and education, as well as in retail and tourism) may have some influence on women's entry into self-employment. Women who have been out of the labour force may also enter self-employment if their spouse/partner becomes unemployed. Younger people appear to be more likely both to enter and exit from self-employment. Education is not correlated with entry, but better-educated individuals appear to continue longer.

A spouse's employment status and income, and having children affect women's entry into and exit from self-employment. Having a spouse who is self-employed significantly increases the likelihood of women's entry into self-employment. In contrast, having a spouse who has full-time, full-year paid employment, (a condition associated with job-related benefits and more income security), is a factor in sustaining self-employment, and reducing the household's reliance on self-employment income. For women, having dependent children under five years old at home is associated with a higher probability of both entering and leaving self-employment (Lin et al. 1999). This finding supports the idea that some women enter self-employment to help co-ordinate earning with caring for their young children. This "choice" may be based on the challenges experienced when paid employment situations are not flexible or responsive to employees' needs and when child-care availability and costs are problematic.

### **Maternity Leave**

**The vast majority of self-employed women take less than four weeks for maternity leave.** Childbearing and the adoption of children pose significant challenges to self-employed women. Because they are excluded from Employment Insurance, there is no income replacement during the time they take leave. Given the low average income of self-employed women, putting money aside ahead of time is a near impossible task. Second, being out of the job market typically results in a loss of current clients as well as an inability to network to bring in new business (Schetagne 2000). Consequently, in an overwhelming number of circumstances, self-employed women return to work shortly after giving birth or adopting. A Statistics Canada report showed that 80 percent of self-employed women returned within the first four weeks after having a child, compared to only 16 percent of employed workers. Employed mothers, on average, took close to six months of leave (corresponding to the period for which maternity and parental leave benefits were available) (Marshall 1999).

**Self-employed women are more likely than self-employed men to have an interest in extending maternity and parental benefits to self-employed individuals.** In a survey of 802 randomly polled self-employed individuals, 54.3 percent of the women surveyed expressed an interest in having maternity and parental benefits extended to self-employed people (slightly higher than the 41.7 percent of men polled) (Compas 2000).

### **Professional Networks/Associations**

**About one in four self-employed women belong to an association.** The national survey of the self-employed indicated that 25 percent belonged to an association, with men being slightly more likely to have a membership (Delage 2002). Close to half of those with memberships earned \$60,000 or more, while only 14 percent of those with earnings of \$20,000 were represented.

**Research has found that networking, particularly among female entrepreneurs, is crucial for forming business contacts, obtaining information and reducing isolation.** Professional associations and informal networks can be a valuable source of information and support to self-employed women. Compared to men, women entrepreneurs rely more heavily on referrals, community events and flyers (Van Aiken et al. 1994). It has been noted that the success of small businesses owned by women comes through their proactive participation in networks of small businesses (André 1992). Findings from the focus groups conducted by Gower and Allard (2000) indicated that networking was essential to the success of women's businesses; it not only helped in obtaining referrals and business advice, but it also helped in reducing the loneliness associated with certain forms of self-employment and provided a forum in which to discuss business problems and solutions.

Most participants in the focus groups participated in informal networks. Reasons given for not belonging to a professional association included cost, lack of time and lack of awareness of suitable associations. Those who belonged to a professional association indicated it gave them access to training and conferences, and provided them with opportunities to learn from others and gain information, keep up to date and lobby government.

**Associations can be a means of accessing dental, health and other benefits for some self-employed individuals.** In the Gower and Allard (2000) focus groups, few self-employed women mentioned that their associations provided access to dental or health benefits. Similar findings were reported in the national survey by Compas (2000); only 18 percent of those surveyed indicated they purchased private benefits/insurance through a professional association. However, in the national study on the self-employed, 37 to 39 percent of individuals with a membership indicated their association offered dental or disability insurance plans (Delage 2002).

**Various gaps in services for self-employed women have been identified.** Prior research on self-employed women has examined their needs for services and supports, and has identified specific proposals to address gaps in services. For example, Belcourt et al. (1991) suggested the creation of a national information clearing house, financial incentives and

subsidies for professional training and courses, and encouraging banks and credit unions to assess their effectiveness in servicing self-employed women. Similarly, Lavoie (1991, cited in Brown et al. 2001) reported that women entrepreneurs needed enhanced access to financing, easier access to information regarding existing services and programs, more counselling and training, and enhanced opportunities for networking and mentoring.

### **Summary**

Women form a sizable, and growing proportion of the self-employed in Canada. Traditionally, the work created by their self-employment has been concentrated in the retail/service sector with an emphasis on own-account business. While it is recognized that there has been considerable growth in self-employment among women in professional and managerial occupations, the concentration of women in lower paying, own-account, part-time and home-based work has been well documented. This has implications for women's ability to earn adequate incomes and, in turn, for their ability to plan and save for maternity, sickness and other family-related leave. As well, it limits the extent to which they can purchase supplementary health and disability insurance, and save for their retirement. Self-employed women are further challenged in their ability to maintain the economic viability of their business with more limited means to access credit, less participation in associations, fewer business skills, fewer incorporated businesses and greater responsibility for child-rearing and homemaking responsibilities. Ironically, one of the costs to women employers is payment into Employment Insurance so their employees have some level of income security, for example, in the event of sickness or having a child, while they themselves do not have the same protection. It is perhaps because of their lower earnings potential and their greater caregiving responsibilities that self-employed women are more likely to support the idea of a federal insurance program than self-employed men.

### **3. RESEARCH METHODOLOGY AND THE POLICY DELPHI TECHNIQUE**

This national study on self-employed women involved three phases. In the first phase, we interviewed a cross section of self-employed women to document the challenges they experienced. In Phase 2, interviews were conducted with representatives from various stakeholder groups, including a new sample of self-employed women, to develop possible policy options for enhancing self-employed women's income security. Phase 3 consisted of a final survey to assess women's and other stakeholders' final opinions on the policy options, after they had read the opinions and comments of those from other stakeholder groups. In all, interviews were conducted with 168 self-employed women involved in a variety of occupations and with 56 representatives of government, financial institutions, professional associations and other organizations.

#### **Phase 1**

##### ***Recruitment of Participants***

Our aim was to recruit 100 self-employed women to participate in Phase 1, with representation of women in lower and higher earning income groups, different regions in Canada, and with participation by visible minority and Aboriginal women.

A number of strategies were used to solicit participation. These included:

- advertising through associations and networks offering memberships or services to self-employed women;
- accessing a national registry of self-employed women and recruiting via e-mail;
- using telephone directories and making cold calls;
- referrals/word of mouth; and
- advertising through the University of Guelph's Centre for Families, Work and Well-Being Web site, the Royal Bank Web site and *Guelph Alumnus* magazine.

Initially, we intended to have about equal representation of women in caregiving and professional occupational categories. However, because of recruitment challenges in locating women in caregiving occupations, we expanded our criteria to include self-employed women who provided personal services, as well as those who operated small businesses.

##### ***Development of Interview Schedules***

An interview schedule was designed and slight modifications were made for its use when surveying self-employed women in home-based child care.<sup>2</sup> A copy of the interview schedule can be found in Appendix A.

##### ***Interview Procedure***

Phase 1 and Phase 2 interviews were conducted over the telephone in English and French, and were audio recorded. The duration of most Phase 1 interviews was about 45 to 60 minutes.

Answers to closed-ended questions were entered directly into a database, and portions of answers to open-ended questions were transcribed.

## **Phase 2 and Phase 3**

### ***Policy Delphi Approach***

For the last two phases, we adopted a Policy Delphi methodology (Turoff 1975). This iterative technique is used by social scientists to facilitate decision making on policy-related matters. It involves at least two rounds of contact with key informants representing various stakeholder groups. Responses to the first set of questions are summarized and the information is fed back to respondents, who are asked to consider the perspectives of the other stakeholder groups before responding to a final set of questions.

In this study, the main focus was on identifying policy options that could protect the economic security of self-employed women, particularly when their business earnings are interrupted by an illness or by family caregiving circumstances. Our key informants (described later in this chapter) were asked to consider three policy options and comment on their importance, desirability (i.e., concerns, advantages) and feasibility. A second main purpose of the study was to document the ways in which government (e.g., federal and provincial levels, government agencies and training programs) and the private sector (e.g., banks, insurance companies, professional associations) could support the economic viability of female-owned businesses and self-employed women who work on their own account.

### ***Overview of Different Policy Options***

Before identifying the main policy options for consideration, a series of research team meetings was held and a number of preliminary interviews were conducted with various stakeholders to gather information. In an effort to limit the interviews to less than an hour, our team of researchers settled on an examination of the following three different policy options.

#### **Option 1: Employment Insurance type program**

A government-administered plan might be similar to or added to the existing EI program, which currently provides:

- up to 15 weeks of maternity benefits;
- up to 35 weeks of parental benefits; or
- from 2 to 15 weeks of sickness benefits.

In terms of **payable benefits**, if an employee qualifies, they receive 55 percent of average insurable earnings up to a maximum of \$413 a week through the EI program with a supplement for employees in low-income families with dependent children.

#### **Option 2: A tax-sheltered savings plan**

Funds could be deposited to, and then withdrawn from, an individual tax-sheltered savings plan, similar to a Registered Retirement Savings Plan (RRSP) in the event that short- or long-term illness or family circumstances preclude or limit income from an ongoing



business. The money withdrawn would not be taxed, as long as the money is eventually repaid over a 10 to 15 year period, or taxed, but potentially at a lower marginal rate in that year.

### **Option 3: Private insurance**

Individuals could purchase private insurance that would provide income support for various kinds of leave (e.g., maternity, family-related).

### ***Identification and Recruitment of Participants***

For phases 2 and 3 our aim was to recruit a new sample of self-employed women from across Canada (about 60 women), as well as 60 representatives from other stakeholder groups.

These other stakeholder groups consisted of:

- executive directors or presidents of associations for the self-employed and representatives from organizations that offer training programs for self-employed individuals;
- financial planners/loan managers and senior representatives from banks and credit unions;
- insurance providers or brokers;
- owners or directors of home day-care agencies that contract the services of self-employed child-care providers; and
- government representatives at both the provincial and federal levels.

Self-employed women were recruited by similar means as in Phase 1 (e.g., through referrals, advertisements on Web sites and cold calls). In recruiting stakeholders, we first compiled a comprehensive list of organizations that represented the five different stakeholder groups and were located in different regions in Canada. These organizations were then contacted by phone calls and faxes, and efforts were made to identify the person with the most expertise and experience related to the aims of this project.

### ***Development of Interview Schedules***

In Phase 2, a different interview schedule was developed which included a set of core questions, with additional questions added for representatives of each specific stakeholder group to tap particular issues of interest to us, as well as to best utilize their particular areas of expertise. In total, eight different interview schedules were created for this phase. A copy of the interview schedule used with self-employed women can be found in Appendix B.<sup>3</sup>

Recent legislative changes in Quebec, namely the passing of the *Act respecting parental insurance* (Bill 140, discussed in more detail in Chapter 8), required that the interview schedule for participants in that province be modified to gain information on their attitudes toward this particular legislation.

### ***Interview Procedures***

Participants were sent an information sheet before the interview so they could familiarize themselves with the different policy options and provisions in current Employment Insurance legislation. The telephone interviews lasted between 40 and 90 minutes and were audio-recorded. We conducted face-to-face interviews with federal government representatives and provincial representatives from the Quebec government.

### ***Phase 3 Data Collection***

For the last phase of data collection, the same participants as in Phase 2 were sent a summary of findings from Phase 2 (i.e., perceived advantages and disadvantages for each of the policy options) and were asked to respond to a final survey (see Appendix C). The survey was sent to them via e-mail (or by mail or fax in the few cases where the participant did not have access to e-mail). Participants were asked to rate their extent of support for each policy option and to rate whether their level of support increased or decreased when various aspects of the policy options were modified.

### **Ethics Approval**

This research was granted ethics approval by the Ethics Review Committee for Research on Human Subjects at the University of Guelph.

### **Challenges in Studying Self-Employed Women**

Throughout the research process, we encountered a number of challenges, some of which are unique to this particular group of participants. These are discussed briefly below.

#### ***Time Demands***

Participation in this study required a significant time commitment. Many of these women were already under considerable time pressure to meet business demands. Over half of our sample (52 percent) were working 50 hours or more per week in their business, in addition to their personal and family obligations. A number of women expressed an interest in our study, but were unable to participate or cancelled the interview because of other demands on their time.

Phase 2 was complicated by the fact that it required us to impart a considerable amount of technical information about the various policy options in a very short time. We prepared an information sheet that was forwarded to all participants ahead of time, as well as some of the questions to facilitate the interview process. Nevertheless, some participants, both self-employed women and various other stakeholders, were challenged by the short time frame in which to absorb the information.

#### ***Recruiting Nominally Self-Employed Women***

One difficulty we encountered was recruiting nominally self-employed women — those hired on a contract basis primarily by one organization (e.g., child-care providers who are affiliated with an agency). Our recruitment strategies were not successful in reaching this

subgroup of self-employed women, and the agencies that hire them were reluctant to advertise our study to their workers.

***Applying a Fixed Criterion for Participation***

We were also challenged in determining the appropriate selection criteria for participation. Our original intent was to interview women whose primary income was from self-employment, and who had been self-employed for at least six months. Those who had access to Employment Insurance benefits would be excluded. There were, however, several self-employed women who did not fit these criteria and who expressed an interest in participating. A few women were working part-time jobs, in addition to their self-employment to gain access to maternity benefits. Others had not owned their business for at least six months, but had worked in a self-employed capacity in the past. We felt we could obtain valuable insights from these women and decided to broaden our criteria to include them, as long as their self-employment was not a hobby business or secondary to their paid employment.

#### **4. CHARACTERISTICS OF SELF-EMPLOYED FEMALE PARTICIPANTS AND OTHER STAKEHOLDERS**

We were interested in documenting the experiences of two different groups of self-employed women: those in professional occupations (e.g., lawyers, accountants, management consultants), who typically have higher earnings potential, and those in caregiving and personal service occupations (e.g., home-based child-care providers, respite workers, housecleaners), who typically have lower earnings potential. We anticipated that the experience of these two groups of women would likely be different (e.g., access to resources, educational and training opportunities, membership in professional associations) and would result in diverging opinions on the kinds of policy options that would best serve their needs.

##### **Characteristics of Self-Employed Women**

Participants in Phase 1 and Phase 2 surveys included a cross section of self-employed professionals, own-account self-employed women working in caregiving or personal service areas, and small business owners. As can be seen in Table 1, the women participating in our study were quite heterogeneous in the work they did, and included lawyers, financial planners, massage therapists, a film maker, day-care providers, instructors, business consultants, aestheticians and owners of small stores.

Among the women in caregiving and personal service occupations, 21 were self-employed home child-care providers. We have a high representation from this group, because we originally intended to highlight women in this particular occupational category, both because they account for a large proportion of self-employed women and because home child-care providers and disability workers/respite workers play an important social role. We encountered difficulties in recruiting this specific sample and subsequently broadened our sample to include self-employed women in other caregiving and service occupations, as well as owners of small businesses.

Table 2 summarizes the characteristics of our sample for the three phases of data collection. We interviewed 101 self-employed women in Phase 1, 67 women in Phase 2 and 32 in Phase 3.<sup>4</sup>

As can be seen in Table 2, participants came from all provinces in Canada. The majority of women interviewed (121 of 168 or 72 percent) worked on their own, with no employees. Among business owners with employees, the vast majority had five or fewer employees, with the largest companies employing no more than 10 or 11 employees.

Our sample included both new business owners and those with more experience.

**Table 1: Occupations and Kinds of Businesses Owned by Our Sample of Self-Employed Women**

Professional Occupations and Owners of Higher Earning Businesses*	Caregiving/Service Occupations and Owners of Lower Earning Businesses
Translator Lawyer Accountant Marketing/technical consultant Management consultant Chiropractor Architect Program development Communications consultant Human resources consultant Financial planner Therapist Psychologist Writing/publishing consultant/journalist Educational consultant Researcher Veterinarian Graphic designer Archaeologist Biologist Project management consultant Trainer/speaker/consultant Film maker/producer Computer consultant Notary Nutritional consultant Rehabilitation therapist Wellness consultant Social policy and program development consultant Recruiter Career counsellor Owner - private medical clinic Owner - restaurant Owner - dance school Owner - health clinic Owner - health care store	Office assistant Child-care provider** Cleaning service Pet groomer Aesthetician Massage therapist Beauty consultant Bookkeeper Hairstylist Respite worker Tutor/instructor/trainer Nurse Real estate planner Singing instructor Actress Fitness instructor Wedding co-ordinator Tour operator Seamstress Owner - children's clothing retailer Owner - manufacturing Owner - automotive Owner - embroidery Owner - bookstore Owner - health clinic Owner - bridal rental shop Owner - tanning/massage salon Owner - retail art gallery

Notes:

\* Business owners (i.e., with employees) were categorized as higher earning, if net annual income exceeded \$30,000.

\*\* Twenty-one participants were home-based child-care participants.

**Table 2: Characteristics of Self-Employed Women Participants in This Study**

	Phase 1 (%) (n = 101)	Phase 2 (%) (n = 67)	Phase 3 (%)* (n = 32)
Geographic location			
West**	31	27	32
Ontario	24	30	35
Quebec	25	22	10
East***	21	21	23
Incorporated	15	19	22
No. of employees			
0	67	79	79
1-5	29	15	14
Over 5	4	6	7
Marital status			
Married/common-law	68	66	71
Single/divorced/widowed	32	34	29
Any children	68	64	54
Age of participant			18
21-34 years	22	30	78
35-55 years	72	61	78
55 years and above	6	9	4
Highest level of education			
High school or less	15	12	7
Some college or some university	13	11	7
College degree	20	15	15
University degree or higher	52	62	70
Net income from business			
\$20,000 or less	50	55	40
\$20,001 and \$30,000	17	9	12
\$30,001 and \$50,000	26	22	28
\$50,001 and \$70,000	2	9	16
\$70,001 and above	5	5	4
Immigrant	8	12	11

Notes:

\* Phase 3 participants were a subset from Phase 2.

\*\* Includes British Columbia, Saskatchewan, Alberta, Manitoba and the Northwest Territories.

\*\*\* Includes Newfoundland and Labrador, New Brunswick, Nova Scotia and Prince Edward Island.

On average, these women had been self-employed for between five and six years. Almost half had owned their business for five years or less. The majority operated their businesses from their homes. In Phase 1, about two thirds of the businesses were home based (66 percent). In Phase 2, about half of the sample (52 percent) ran their businesses primarily from their homes.

Almost one quarter of the self-employed women in our sample from Phase 1 (24 percent) had paid employment, in addition to their business. For the majority of participants (95 percent), however, their main source of income came from their business. There were five women who indicated their main source of income was not from their self-employed work.

In addition to their paid work, these women worked between 20 and 35 hours a week in their own business.

On average, women in our study worked 45 hours a week in their business, with a range from 10 to 75 hours per week. In the most recent national survey of self-employed individuals, it was similarly reported that the average number of hours worked per week was 45 (Delage 2002).

Consistent with other surveys (i.e., Delage 2002, Hughes 1999), our sample of participants had an older age profile compared to employees. About two thirds of the women were married or partnered, and about two thirds had children (68 percent in Phase 1, 64 percent in Phase 2 and 54 percent in Phase 3). Among women with children, 59 percent had children 12 years of age or younger in Phase 1 and 57 percent in Phase 2.

A small percentage of the women we interviewed were immigrant, Aboriginal or women from visible minority groups. In Phase 1, 5 percent of our participants were Aboriginal women; in Phase 2, they represented 2 percent of the women interviewed. In Phase 1, 8 percent were immigrant women and in Phase 2, 12 percent were immigrant women and 9 percent were from a visible minority group.

Consistent with other surveys on self-employed women, our respondents earned considerably less than paid employees. Over 50 percent of the entire sample earned less than \$20,000 net income from their businesses (see Figure 1). As can be seen in Figure 2, women in caregiving and personal service industries (Group B) generated considerably less income than those in professional occupations (Group A).

Between 52 and 70 percent of participants in phases 1 through 3 had a university degree or higher. Given our participants' educational backgrounds, the low earnings reported were unexpected.

The majority of women we interviewed had purchased RRSPs for retirement. Women were asked in which ways they had planned for their retirement. Eighty-four percent indicated they had RRSPs and 38 percent had other investments; 40 percent would receive a spouse's pension and 22 percent would receive their own pension from previous employment; 27 percent indicated they would receive an inheritance.

Figure 1: Net Income

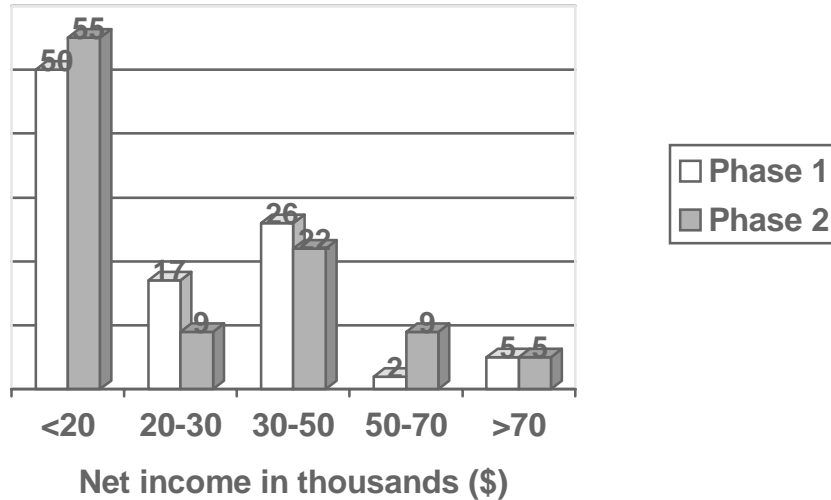
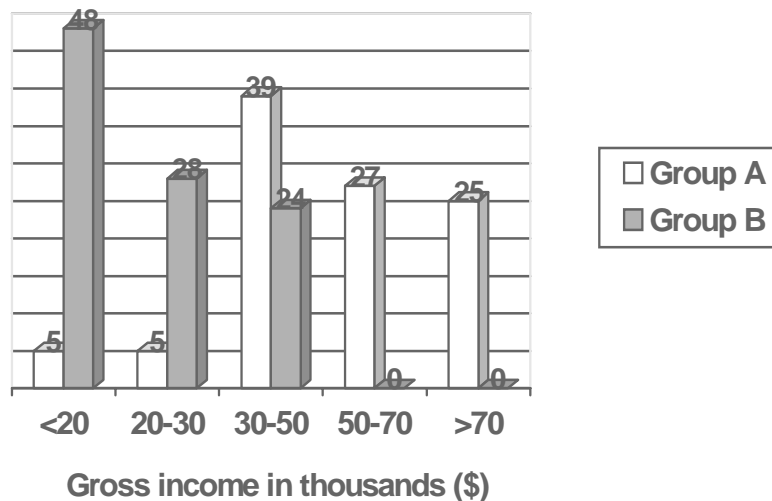


Figure 2: Gross Income - Phase 1



Almost three quarters of the women we interviewed belonged to an association or network of self-employed women — a considerably higher proportion than reported in the last national survey of the self-employed (26 percent). This is likely due to the fact that we advertised our study through various associations across Canada and used it as one of several recruiting tools. In terms of the kinds of services offered, 82 percent of associations provided networking opportunities, 82 percent offered training and workshops, 71 percent provided information related to business management (e.g., tax information, record keeping) and just over half (55 percent) offered an insurance plan.

### Various Stakeholder Groups

In total, we interviewed 56 key informants from the various stakeholder groups, with between 6 and 21 representatives from each stakeholder group (see Table 3).



### Response Rate for Phase 3

Out of the self-employed women who participated in Phase 2, 32 completed the survey for Phase 3. Of the other representatives, 21 of 56 completed the Phase 3 survey.

### Limitations of the Study

Because our sample was not randomly selected, our ability to generalize our findings to the broader population of self-employed women is limited. Our recruitment strategies, however, did attempt to obtain a diversified sample of women representing higher and lower earning businesses, minority and immigrant women, and those living in different regions of Canada. To that end, we were successful in obtaining a sample that was similar in demographics to those reported in national surveys of the self-employed.

**Table 3: Representatives from Various Stakeholder Groups**

Stakeholder Group	Number of Key Informants Interviewed
Associations/training programs*	21
Insurance providers/brokers	11
Banks and credit unions	11
Agencies	7
Government**	6

Notes:

\* The organizations that participated were from Ontario, Saskatchewan, Newfoundland and Labrador, Manitoba, British Columbia and Quebec.

\*\* Two federal representatives were interviewed and four provincial representatives (Quebec, Prince Edward Island, Saskatchewan and Nova Scotia).

## 5. INTERRUPTIONS IN BUSINESS EARNINGS: CHALLENGES AND STRATEGIES

In Phase 1, we had the opportunity to talk in depth with self-employed women about taking a leave for maternity, sickness or family-related reasons, the challenges they encountered and strategies they employed to cope with the interruption from their business.

### **Time Taken for Maternity, Sickness or Family-Related Reasons**

About half the women we interviewed in Phase 1 (49 percent) had taken time away from their business either to care for a newborn/adopted infant or because of a personal or family illness or disability (e.g., to care for a sick child, spouse/partner or sick/aging parent) for a period that lasted more than two weeks.

Women who gave birth or who adopted an infant or child, stopped working at their business for an average of nine weeks (range = 0 weeks to about a year and a half; median = 5 weeks).<sup>5</sup> This is comparable to what has been previously reported in a 1999 Statistics Canada survey, in which 80 percent of self-employed women returned to work within the first four weeks of giving birth (Marshall 1999). Five women in our study indicated they did not take any weeks (full time) away from their business after the birth or adoption of their child.

**Most self-employed women (72 percent) said they would have taken a longer maternity leave, had they had access to government maternity benefits.** Among women who took time off due to personal or family health reasons, the average duration was 3.5 months (range = 2 weeks to 18 months; median = 2 months).

### **Challenges in Taking Time Away from Business**

Women who participated in Phase 1 were asked about the kinds of business difficulties they experienced during that time:

- making ends meet on a smaller income and covering their operational costs;

*I worked really hard before the baby was born and I managed to put \$3,000 in the bank, so that I would have that for the first couple of months with the baby — figuring that that would be the most intense time. But now the three months is up and I don't have any other business coming.... I am feeling the financial responsibility and it's frustrating me, because I can't even do what I used to do, which was freelance for others as an editor [Filmmaker who was breastfeeding and suffered gestational diabetes while pregnant].*

- finding a suitable/knowledgeable replacement to manage the business;
- losing clients;
- losing visibility in their market;

- feeling exhausted;

*With my youngest child, I did find that when I took on work, often it would take me a lot longer than I thought and it was a lot more difficult to do the work with a young baby, so I would end up working a lot of nights, in the middle of the night kind of thing, which wasn't very healthy for any of us [Self-employed editor].*

- • difficulties concentrating on the business (among those who had a baby and returned to work early or who worked part time while on sick leave);
- finding affordable child care;

*One area that is of great concern to self-employed women is the area of child care, because when you are self-employed, it's hard enough to make enough money and then to also have to pay child care as well, it's just really hard. So I think I've kind of tamed down my business, because just trying to advance it is a risk and having to pay, you know, with having to pay child care for three children, it's just not worth it [Writer].*

- among self-employed licensed home child-care providers, there was the additional challenge of abiding with provincial regulations, which limit the amount of time they can be absent from their business;
- having to forgo networking activities; and
- difficulties in keeping their skills up to date.

*Being able to keep the marketing of myself and my skills going and making sure that I had enough money to cover all of my obligations while I wasn't making any money — that's the biggest issue. Even as a consultant you know that it's important to keep your skills and knowledge up to date and yet you are torn, because you can't be taking time off [Management consultant].*

We asked women who took a leave that was longer than two weeks to rate how difficult it was for them to make ends meet.

- Of those who took a leave for health reasons or because of a serious illness in the family, 50 percent indicated it was somewhat difficult or very difficult for them to make ends meet during that time.<sup>6</sup>
- Of the women who took a maternity leave, 64 percent indicated that, financially, it was somewhat or very difficult for them to make ends meet.

Similar concerns about taking a leave were voiced among self-employed women in professional occupations/high earning businesses and those in caregiving/personal service occupations. For example, difficulties in finding and securing a replacement were mentioned by both groups of women.

**The major barrier for women in professional occupations was the feasibility of finding a replacement with the expertise and knowledge to keep the business running.**

*For me, I worked until I went into labour and then went right back to work after I had my babies, because there wasn't anything I could have as a support. But it's part of who we are as entrepreneurs...even it's not so much the money, it was being there [Business owner].*

For professionals, particularly health professionals (i.e., doctors, chiropractors, dentists), using locums or replacement doctors has been common in the past. Participants in these jobs mentioned that finding a locum is often very difficult as there are now very few people who do these sorts of placements. They are also viewed as expensive since overhead must be maintained and the locum paid, often leaving little or negative resources for personal income. One chiropractor, who practises in a partnership, has been able to “maintain” her business during two pregnancies and numerous health problems both before and during her pregnancies, but only by taking out a \$30,000 loan to cover overhead expenses.

**The major barrier for women in service and caregiving occupations was the cost of paying for a replacement.** One day-care provider described taking a line of credit to pay her substitute worker. That was seven years ago and she is still paying off her loan.

*I didn't mind having the day care here. It was very stimulating for my newborn...but having this employee cut my pay cheque down 75 percent. During that time, because I had to hire an employee, I was very broke [Day-care provider].*

**Among self-employed day-care providers, provincial licensing regulations were a common source of frustration and a barrier toward taking an extended leave.** According to provincial regulations, a family child-care provider cannot take time away from her business, unless a suitable substitute worker is provided. However, there is no organized system for finding replacements, and several women described difficulties in accessing liability insurance for a substitute worker. These conditions made it nearly impossible to take time away from their business, unless their clients agreed to find their own replacement and return at a later point.

**Over one third of the women we interviewed (36 percent) had needed to take a leave for family or health-related reasons, but had been unable to do so.** Again, most were unable to do so, because of the lost income and loss of clients. Even taking several days away from one's business can have an impact on the bottom line, let alone taking several weeks or months. According to one lawyer:

*If I get the flu for a day, I lose a client — guaranteed.*

This was echoed by another women who commented:

*You drag your sorry self out and you work no matter what you are feeling like, because there's no choice. At least that's been my situation; there's no*

*choice. I guess it would be different for a married couple, the husband works, you know they're set. If I don't work, I can't support myself...knock wood, I haven't got that sick, but I would have to sell my house [Computer training consultant].*

### **Challenges in Accessing Ongoing Training and Professional Development**

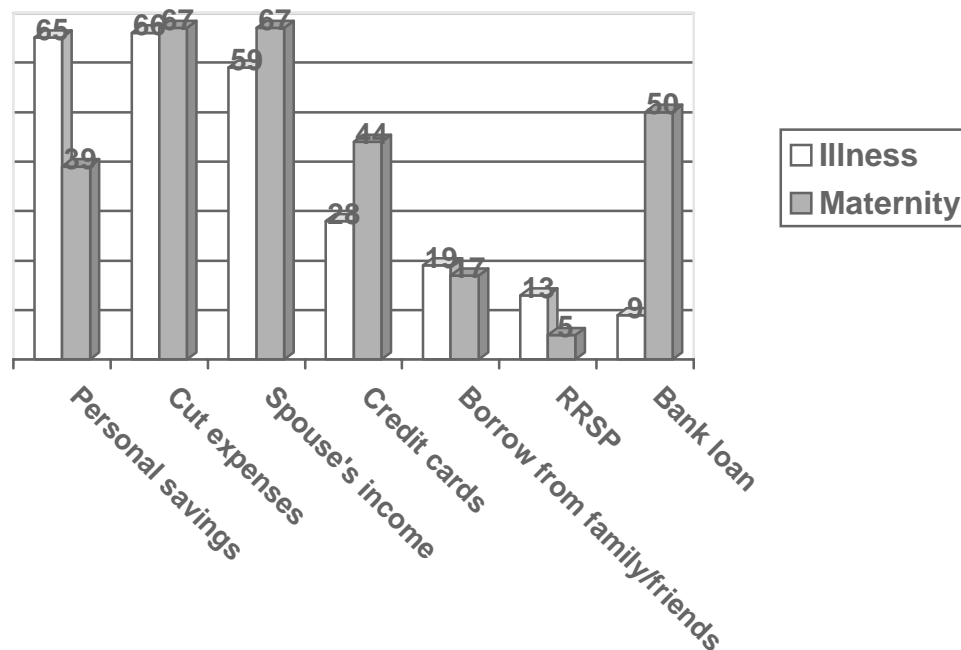
Taking time away from the business to access training was also identified as a challenge, because of the fees for programs and the income that would be foregone to participate. In the Phase 1 survey, we did not specifically ask women about what ongoing training or professional development they were able to access. But, when asked what other services they would like the government to consider offering to the self-employed, access to training geared to their line of work was mentioned by a number of respondents.

Two barriers were identified by women that limited their participation in ongoing training for the work they do: the actual fees associated with paying for training and programs, and the cost associated with having to take time away from their business and foregoing the opportunity to earn income to participate. With already limited earnings for so many self-employed women, incurring direct out-of-pocket expenses in the form of fees and related expenses (transportation, child care) and foregoing income to participate was a strong disincentive to pursue additional training. Yet, it was noted that there are always new developments and information in many areas of work, and accessing specific training geared to their profession and line of work was an important element that many felt they were missing. The primary suggestion offered for enhancing access to training was that the government consider offering subsidies for ongoing professional development geared to income. While some expenses might be deductible, they would be unlikely to provide income support for training when it is needed or for those with the fewest resources.

### **Coping Financially During Time Away from the Business**

**Cutting back on expenses and relying on their spouse's income were common ways in which self-employed women coped financially during an extended leave for health or family caregiving reasons.** As can be seen in Figure 3, women who took a maternity leave were more likely to take a bank loan or line of credit and less likely to use personal savings compared to women who took a leave because of personal sickness or to care for an ill family member.

**Figure 3: How Women Coped with Income Interruptions for Health or Childbirth/Adoption**



Loss of visibility and loss of work often extends beyond the time of the leave. **Self-employed women often mentioned** that the loss of clients and loss of income extended beyond the actual time they were away from the business. Both professionals and those in services/home child-care providers mentioned they experienced a lag between getting back to work and building their client base back to the point where it was before the leave, taking anywhere from a week to months.

*People forget you. As it is, I have lost clients to my partners that I can't get back. You need to get new people constantly. Even now [six months later] I am just getting busy again. If I had more work, I would work more, because my husband is with the baby and I could work evenings and Saturdays [Lawyer].*

### **Bankruptcy and Debt**

We did not ask specifically about bankruptcy that resulted from family caregiving responsibilities or illness. However, a couple of women we interviewed told us they had to close the business during that period in their lives. One woman, who was a massage therapist, took two months off work to care for her son who had health problems. As a result, her business went bankrupt.

Some self-employed women go into substantial debt to keep up with their operational costs while they are absent from the business — either ill or caring for a family member. One woman we interviewed had a child who was diagnosed with leukemia. Both she and her

husband are self-employed and had to reduce their work to attend to their child's needs. To cope financially, they have taken a bank loan and have deferred their mortgage. Her return to work is further complicated by her daughter's weakened immune system so she cannot attend regular day care. This woman's 70-year-old parents have been caring for both her children, but are only able to do so for 15 hours per week.

### **Summary**

The interviews we conducted in the first phase of our study were designed to serve two purposes: allow us to gather detailed accounts from self-employed women about the challenges they encountered and the strategies they used when taking a leave from their business, and use this information to help formulate the questions asked in Phase 2 of this study.

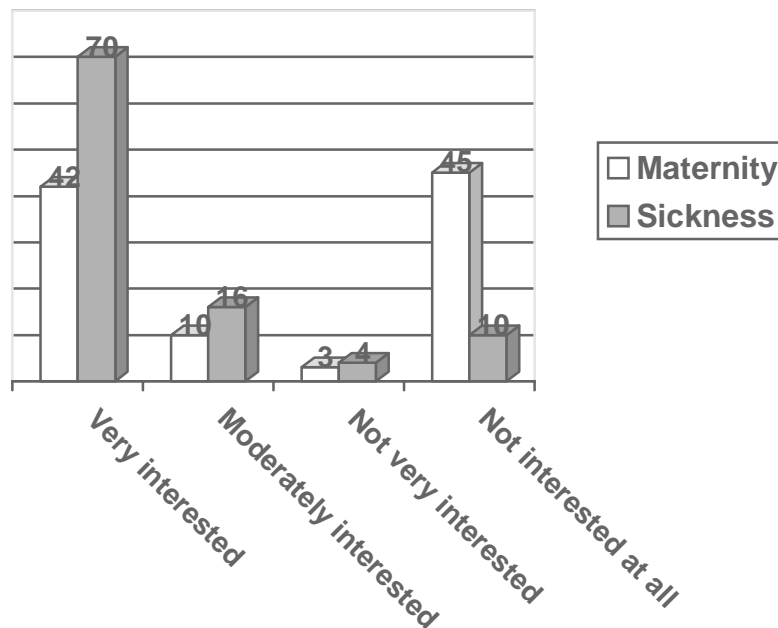
Our findings from Phase 1 indicated the majority of women who had taken a leave from their business experienced considerable difficulty. It also became apparent the challenges some of the women experienced in taking a leave were not limited solely to loss of income. Finding a replacement, taking on debt, and loss of visibility and clients were other consequences. Although addressing the issue of income loss is paramount to protecting their personal incomes, protecting the viability of their businesses is likely to require a more comprehensive and multi-pronged approach. This may require some creative solutions and policy changes in more than one area (e.g., changes to day-care funding, tax credits). These issues are covered in greater detail in later chapters and comprehensively in Chapter 13.

## 6. GENERAL ATTITUDES TOWARD THE ROLE OF GOVERNMENT IN GRANTING ACCESS TO SPECIAL BENEFITS

### Perceived Importance and Personal Interest

One aim of our study was to determine the desirability of extending certain kinds of Employment Insurance benefits (special benefits) to self-employed individuals. In Phase 1, we asked self-employed women how interested they were in having access to maternity and sickness benefits, and the importance they placed on extending these two kinds of benefits to self-employed individuals. As Figure 4 illustrates, women in this sample were more interested in gaining access to sickness benefits than maternity benefits. This is likely due to the older age profile of our sample, many of whom indicated they were beyond their childbearing years.

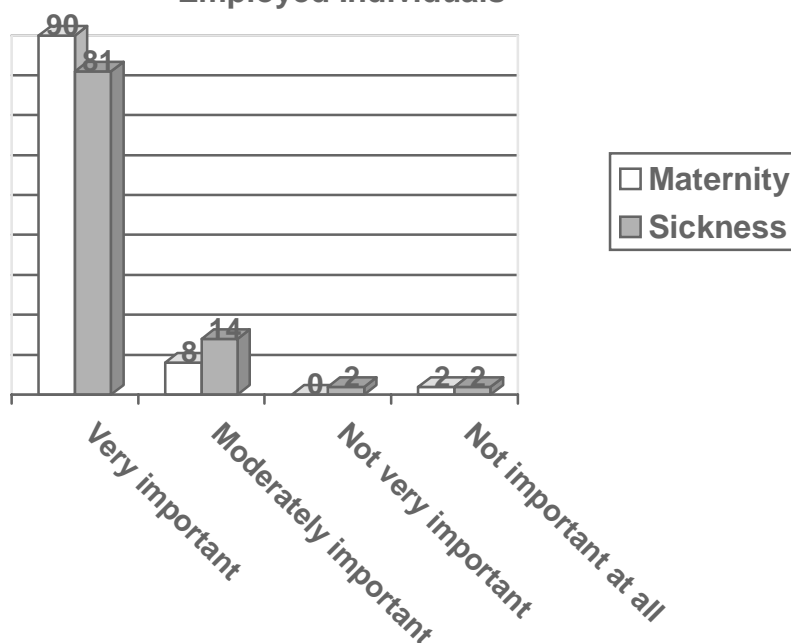
Figure 4: Personal Interest in Having Access to Maternity, Parental and Sickness Benefits



**Even among self-employed women who did not plan on using them, participants felt that maternity and parental benefits should be extended to the self-employed.** Even though many self-employed women indicated they were not personally interested in maternity benefits (48 percent), an overwhelming majority of women interviewed (90 percent) indicated it was very important that maternity benefits be extended to self-employed women (see Figure 5). The distinction between individual level perceptions (self) and collective level perceptions (perceptions of self-employed women generally) is important, because collective level perceptions are more frequently linked to a desire for and actions toward social change (Tajfel and Turner 1979). In this case, the desired social change would be to have maternity benefits extended to self-employed women.



**Figure 5: Importance of Extending Special Benefits to Self-Employed Individuals**



**Overall, there was strong support for extending maternity and sickness benefits to self-employed women.** Women in lower earning categories were slightly more likely than self-employed women in professional or higher earning categories to support the extension of maternity and sickness benefits. For example, 96 percent of women in lower earning categories indicated it was very important to extend maternity benefits compared to 82 percent of women in professional occupations. For sickness benefits, 87 percent of women in lower earning categories rated this as very important compared to 76 percent of women in professional or higher earning categories.

In Phase 2, we asked a different sample of self-employed women about the importance of setting up a government insurance plan for self-employed people, comparable to the plan that exists for employees.<sup>7</sup> Similar to Phase 1 findings, there was solid support: 87 percent indicated it was very important or important that a government plan be set up. Only 12 percent indicated it was somewhat not important and 2 percent thought it was not at all important to do so.

**Similarly, there was strong support among representatives from the other stakeholder groups for a government-regulated plan to extend special benefits.** Eighty-six percent indicated it was very important or important that a government plan be set up to extend special benefits to self-employed individuals, and only 14 percent indicated it was somewhat not important or not important to do so.

The level of support for extending maternity and parental benefits to self-employed individuals is considerably higher in this study than was reported in a previous survey commissioned by HRDC (Compas 2000). In that survey of 802 self-employed individuals, 54 percent of self-employed women expressed interest (moderately or very interested) in having maternity and parental benefits extended to self-employed individuals. Men were less likely to indicate interest (42 percent were moderately or very interested). Interest in sickness benefits was much higher, with 88 percent of women and 74 percent of men expressing interest in having sickness benefits extended to self-employed individuals. The difference in findings may be attributable to the fact that respondents in the HRDC survey were presented with information on the average amount of payment for these kinds of benefits, which is quite low (average weekly benefits calculated to be between \$260 and \$280 per week). The interviewers also advised the respondents that if they were to be covered, they would have to pay for such coverage and such coverage would have to be based on actual net earnings reported to Canada Customs and Revenue Agency (CCRA) which would be collecting the premiums. This then led to lower interest in this possibility.

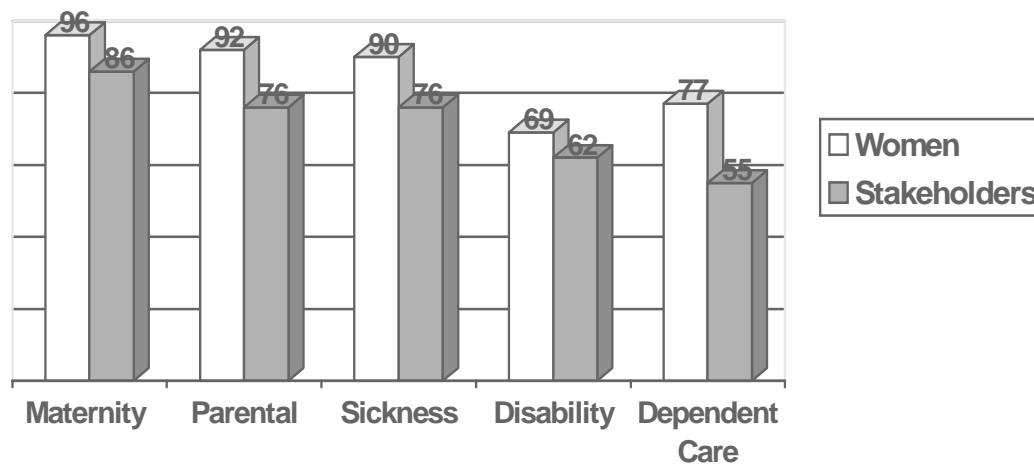
### **Desired Benefits Under a Government-Regulated Plan**

We were interested in examining the kinds of benefits self-employed women perceived to be most desirable if a government-regulated plan was to include them. Women were asked about the kinds of benefits currently offered under EI (e.g., maternity, parental, sickness), as well as other kinds of income support not currently covered under EI (e.g., long-term disability, family caregiving leave).

Over 90 percent of respondents indicated they would like to see maternity, parental and sickness benefits extended to self-employed individuals.<sup>8</sup> Over two thirds would like to see disability benefits, and 77 percent would like to see family-related benefits being offered through a federal insurance program. Representatives from the other stakeholder groups also indicated a preference for extending EI benefits to a wider range of circumstances (e.g., long-term disability, dependent-care leave), although support was slightly lower compared to self-employed women (see Figure 6).

*I don't want to be a bag lady. That's very scary. I'm not just a self-employed woman, I'm a self-employed woman alone, so there's no safety net of any kind, and I think as a society we have to watch out and sometimes we have to protect ourselves...that's living in terror of the unexpected. That can happen to any of us at any time and, as a society, I think it's important to protect others, so when that unexpected happens, they're not destitute [Owner, archaeologist firm].*

**Figure 6: Benefits Desired in a Government Insurance Plan for the Self-Employed**



### **Perceived Advantages of a Government Insurance Plan**

We asked each stakeholder group (which included the 67 self-employed women from Phase 2 as well as other stakeholders) to comment on the benefits of having special benefits (e.g., parental, maternity, short-term sickness) extended to self-employed individuals and, afterward, to discuss any reservations they had. Their answers, as described below, centred on affordability, feasibility, social responsibility and equitable treatment, and personal benefits.

- Premiums need to cost less than private insurance premiums.
- Special benefits are viewed as more feasible for providing maternity and family-related leave benefits than private insurance.
- The proportion of workers that fall outside labour and earnings protection is increasing due to the rise in self-employment. There is a social obligation to have some form of social safety net for all Canadians.
- All women, whether employed or self-employed, should have equal access to maternity benefits.
- There is especially a need for coverage for self-employed individuals in start-up companies and those with low revenue, as they are less likely to have emergency funds to carry them through an absence from their business.
- All individuals should have the right to access some form of earnings protection for sickness. A government program would likely grant access to self-employed individuals who are denied private insurance, because of low income or pre-existing conditions.

- Income support for maternity and sickness benefits for self-employed individuals may encourage more women to become self-employed. The growth in self-employment creates more employment opportunities.
- Special benefits may serve as an incentive for self-employed individuals to declare their income.
- They are important for quality of life.
- Special benefits would add to peace of mind. There would be less stress.
- They ensure better cash flow management for self-employed individuals. Regular payments through a government program would improve stability of earnings.
- Investing money in a government program is more secure. There is less risk of bankruptcy.

### **Preference for a Voluntary Program**

**Self-employed women preferred a voluntary program.** Participants in both Phase 1 and Phase 2 were asked whether they preferred a mandatory EI program for self-employed individuals, similar to what exists for employees, or one based on voluntary contributions. Our results indicated that, given the choice, a voluntary program was preferred. There was 75 percent support for a voluntary program in Phase 1 and 63 percent in Phase 2. (Between 5 and 6 percent were undecided.)

**A voluntary program was still preferred by most, even if the program would be more expensive.** Those who preferred a voluntary program were asked if they still preferred a voluntary program, knowing the program would likely be more expensive than a mandatory program. Among Phase 1 respondents, 9 percent indicated no, 17 percent said that it depended on the cost, and 74 percent indicated they still preferred a voluntary program. Among Phase 2 participants, 20 percent changed their mind about a voluntary program, once they were told it would likely be more expensive. (Unfortunately, we were not able to provide participants with estimated cost figures at the time of the survey. Some may have based their answers on the level of current EI premiums paid by employees and employers for full EI coverage, which includes access to regular benefits in the event of job loss.)

**There was less support for a voluntary program among representatives of other stakeholder groups.** Fifty-four percent of other stakeholder representatives preferred a voluntary program (11 percent were undecided).

The reasons for wanting a program based on voluntary participation included the following.

- Voluntary participation was seen as closer in alignment with entrepreneurial norms; self-employed people prefer less government involvement.

- It is viewed as inequitable for those who would be required to pay into the program but never intend to access it.
- Many believe individuals should be accountable for their choice to have a baby and shouldn't expect to be "cared for" by the government.
- Voluntary participation is less likely to generate a surplus of funds that could be used for purposes other than the original intent of the program.
- A mandatory program would be viewed as another form of taxation and less accepted among self-employed individuals.
- Those who do not have the funds to contribute should not be forced to pay into the program.
- It allows people to save/invest their money in other ways.
- Individuals who do not think they would meet the eligibility requirements to collect benefits (e.g., don't make enough money) could opt out.
- Some believe the credibility of the EI program would suffer, if voluntary participation is mandated.

*I would be angry if I was forced into an EI program and never accessed it and never received any benefits from it or recouped any money back.... To be forced into a scheme that you may never access at a tremendous cost would just drive me nuts. It would be one more tax added on to the other taxes*  
[Lawyer].

Several self-employed women interviewed felt an incentive would be needed to make a voluntary program work, such as a tax break (a credit or deduction for premiums paid for themselves). A few women made the suggestion of having it set up similarly to Canada Pension Plan (CPP) contributions, which are mandatory for the self-employed, as well as for employees. Premiums are paid according to net income on a yearly basis at income tax time.

Several reasons were cited for having a mandatory program.

- A voluntary program is not viewed as feasible, because only people needing the benefits would participate in the program. This would result in either a deficit in the program or fees that would be prohibitive.
- These forms of insurance should be accessible to all Canadians.
- A mandatory program is viewed as administratively simpler.

- It is less costly to participate in a mandatory program.
- Accidents and illness are unforeseeable events, and a safety net should exist for everyone, not only those who have the foresight to contribute to the plan.
- Self-employed individuals shouldn't have special privileges of opting in or out of the program, since employees don't have that option.
- New start-ups and low-income generating businesses may not opt to participate, because of low funds; however, they are among the most vulnerable groups in need of additional protection.

*I tend to think mandatory because, myself, I'm not sure I would have made the right choice to pay toward it but when you do, then it's there. It's the human side. We have so many other bills, you would regret it, so I would say mandatory [Day-care provider].*

Our stakeholders from the insurance industry firmly believed a voluntary program would not be financially feasible for the federal government to undertake, because of an anti-selection bias (i.e., only those most likely to use the program would opt in).

### **Concerns about a Government Insurance Program**

Despite expressing a strong interest in having access to special benefits (i.e., maternity, parental, sickness), high endorsement ratings were sometimes followed with reservations. The following summarizes some of the major concerns that were raised.

#### ***Cost of Premiums***

An overriding concern appeared to be the amount of money self-employed individuals would be required to contribute. Given that current EI premiums are paid through a combination of employee and employer contributions, there was concern that self-employed individuals might have to pay both portions of the premium to participate, which was seen as extremely expensive. In addition, those in a lower earning capacity questioned their ability to pay when already confronted with limited resources for necessary living expenses.

*It depends...it usually means more taxes. We're already overtaxed...it's very difficult to be competitive...of course I believe as a woman and a mother it would be nice, but I don't know how you would do it. Who's going to pay? That's the question [Educational consultant].*

#### ***Covering Business Costs While Taking a Leave***

The money provided under the current EI program (55 percent of average insurable earnings, up to a current maximum of \$413 per week) is considered personal income replacement. Many self-employed women who need to take a leave for maternity or sickness have considerable business overhead expenses, in addition to their lost personal income. The amount covered by existing EI legislation would not be enough to offset the costs of rent, staff and other associated

business costs, such as professional insurance. Other mechanisms would be required to sustain a business over a leave period.

### ***Scepticism about How the Current EI System Is Run***

Several participants made remarks about how the current EI program is abused (both by the federal government that manages the fund and employees who draw out of it).

*With the federal surplus that's there right now and continuing to grow, I'm not very happy with how the federal government has chosen to look at it and administer it. By adding to the coffers of that program, I think you are going to unnecessarily tax everyone in the country and then they will take that money and do something stupid with it instead of putting it back into social problems or issues [Restaurant owner].*

### ***On What Basis Would Benefits Be Paid — Gross or Net Income?***

As previously discussed, over a quarter of our sample in Phase 1 had a gross income from self-employment of less than \$20,000. After deductions for business-related expenses, close to half of our sample had a net income of less than \$20,000. The result is that basing premiums and benefits on net income may not be enough for even basic living expenses.

### ***Summary of Concerns about a Government-Administered Program***

A list of concerns about a government-administered program was generated from the first phase of the project. Self-employed respondents in Phase 2 interviews were asked to indicate whether each item was a concern to them or to other self-employed women in similar circumstances. Both English and French participants were asked to respond to the same list of concerns. These questions were repeated with executive directors of associations that have female-owned businesses as their primary clientele, because we assumed they would be knowledgeable about the kinds of concerns that would be salient to self-employed women. They were asked, based on their experience with self-employed individuals, which of the following they viewed as concerns (see Table 4).

**Table 4: Concerns about a Government-Administered Program, Phase 2 Participants**

<b>Women %</b>	<b>Associations %</b>	<b>Concern</b>
79	88	Worried the premiums would be too high.
76	88	Did not think the payable benefits would be enough to offset business expenses.
75	87	Indicated that because of tax write-offs, one's net income would be too low to base payable benefits on.
59	60	Were already sceptical about the current EI program.
58	87	Were concerned about the amount of red tape/bureaucracy involved in applying for benefits.
55	60	Indicated they were concerned about administration difficulties.
34	60	Did not want government involvement.

Other concerns raised by the key informants included the following.

- There is potential for abuse, especially among home-based workers.
- The legislation would be too rigid to fit the needs of the self-employed.
- There is concern the government is less accountable than private insurance firms.
- The loss of revenue for insurance firms may result in higher premiums for other types of insurance.
- Legislation may act as a disincentive for self-employed individuals to work harder.
- A one-size-fits-all policy would not work for the self-employed, because of their heterogeneity (e.g., different subgroups of self-employed have different interests, needs and preferences).
- Delays in processing cheques could occur.
- Restrictions would eliminate those most in need of support (e.g., start-up companies).
- Agencies that contract the services of self-employed child-care providers may have to pay EI premiums for their providers. This additional cost would either put them out of business or force them to raise child-care fees.

### **Final Opinions after Considering the Pros and Cons of a Government-Regulated Plan**

In our last survey, our Phase 2 respondents were sent an information package describing the perceived advantages and disadvantages/concerns associated with each of the policy options and were asked about their final options after considering other perspectives. With regards to the government-regulated plan, 58 percent of respondents (including self-employed women and representatives of stakeholder groups) agreed or strongly agreed that the government should extend maternity and parental benefits to self-employed individuals, and 56 percent agreed or strongly agreed that short-term sickness benefits should be extended. There was stronger support among self-employed women than among those in the other stakeholder groups.

### **Summary**

Our participants expressed a strong interest in having access to earnings protection for maternity and sickness benefits extended to the self-employed, and most felt an acceptable mechanism for doing so would be through the extension of special benefits. Our findings showed stronger support than in previous surveys (Compas 2000). Our respondents also desired earnings protection for a wider variety of circumstances than is offered through EI (e.g., disability benefits, dependent caregiving).



There were mixed feelings, however, with regards to how this could be accomplished. Although many women commented on the importance of universal social protection, most preferred a program based on voluntary participation, even if this meant higher premiums. They did not want to force all self-employed individuals to contribute to the plan, as this was perceived as an additional form of taxation. Furthermore, they felt self-employed individuals were less likely to use the program than paid employees. Opinions favouring voluntary participation were somewhat stronger among self-employed women in higher income earning businesses; concerns about the potential cost of premiums were widely shared.

Many representatives from other stakeholder groups, including government officials and representatives of insurance companies, did not view a voluntary program as financially feasible for the government to undertake, because of an anti-selection bias. The concerns raised by our respondents (e.g., restriction criteria, the level of premiums and payable benefits, basing benefits on net earnings) have important implications in terms of identifying the conditions under which the extension of special benefits would be acceptable to, and desirable by, the self-employed. These special provisions are discussed in more detail in Chapter 7.

## **7. CONSIDERATIONS IN EXTENDING SPECIAL BENEFITS THROUGH THE FEDERAL EMPLOYMENT INSURANCE PROGRAM**

Although results from Phase 1 demonstrated a strong interest in extending special benefits to self-employed individuals, we wanted to determine the feasibility of this proposal, identify the administrative and legislative problems that might be associated with it, assess the adequacy of such benefits in meeting the needs of self-employed women and identify special legislative provisions that may be required. To meet these aims, in Phase 2, we interviewed federal representatives from the Strategic Policy Directorate of the Employment Insurance Branch, HRDC. We also surveyed 67 self-employed women to obtain their views about six aspects of the current Employment Insurance plan. These aspects included:

- adequacy and the calculation of payable benefits;
- the criteria for eligibility;
- clawbacks while working part time;
- the duration of maternity/parental benefits;
- the amount of contributions; and
- mandatory contributions.

In Phase 3, we used this information to construct specific questions to gauge whether our respondents would be more or less in favour of a government-regulated program with the implementation of additional provisions and changes to the EI program.

### **Adequacy and Calculation of Payable Benefits**

Under current EI provisions, employees collecting short-term sickness, maternity or parental benefits receive 55 percent of average insurable earnings, on maximum insurable earnings of \$39,000 per year. This yields a maximum weekly payout of \$413 in benefits after a mandatory two-week waiting period.

Employment Insurance benefits are intended as a partial personal income replacement when earnings are interrupted. Because some self-employed women have considerable overhead expenses to pay while on leave, the amount available in the form of EI benefits is likely to be insufficient to meet their financial obligations. As was documented in Phase 1, several women we interviewed went bankrupt while they were recuperating from surgery or caring for an ill family member, because they were unable to maintain their overhead expenses. We asked women<sup>9</sup> about the extent to which this amount (55 percent of insurable earnings) would be adequate to keep their business viable while they were temporarily away from the business. Only 26 percent felt that it would be adequate, while almost three quarters of self-employed women indicated that payable benefits under Employment Insurance would be inadequate to keep their business viable.<sup>10</sup>

About half (45 percent) of the women we interviewed felt a different formula would be required for self-employed individuals. Among those who indicated that some changes were needed, a few felt the percentage of payable benefits should be the same, but that a higher cap should be applied. Others thought the cap should be changed for everyone because, as it stands, it is not feasible to maintain their standard of living.

Other women suggested different formulas should be applied for subgroups of self-employed individuals (i.e., own-account employees who work out of their home and who have no overhead expenses vs. small business owners or professionals with significant overhead expenses). While the former would require support primarily for means of personal income replacement, the latter require additional income support to cover their overhead costs.

A few respondents wondered whether the calculation of benefits would be based on gross or net earnings.<sup>11</sup> Several women highlighted the fact that for many new businesses, there is negative net income, because of numerous start-up costs and slow sales. Hence, basing benefits on net earnings may disadvantage individuals who are in the first few years of their business or who are experiencing lower than usual business income. This might necessitate a special provision that would specify a minimum amount of payable benefits, or a formula based on gross income. Several other women voiced a preference for having a minimum level of benefits so low earners could at least maintain their daily cost of living. In Phase 1 of our study, 50 percent of our respondents had \$20,000 or less net income from their business. Of these women, 34 percent were sole earners. At 55 percent of earnings replacement, these women would be worse off than social assistance recipients.

*It's not adequate for anyone. If you want to stay home with your children, you have to live at the poverty level [Contract worker, administrative support].*

On the other hand, some women we interviewed indicated the percentage of payable benefits should be the same for both self-employed individuals and employees. Some mentioned they would be concerned about perceptions of inequity by the public if a different formula was applied to self-employed people. Others felt that 55 percent of income replacement was a sufficient amount.<sup>12</sup> One person commented:

*[It was] very adequate, because if you were making a lot more than that, then you should have set some aside anyways. It's only to allow you to survive...it's not meant for you to live a lifestyle of luxury [Accountant].*

The diversity among self-employed individuals (e.g., own-account, small business owners, large business owners, professionals) poses a challenge in determining a formula for payable benefits in two respects: any one formula is unlikely to accommodate the needs of different types of self-employment circumstances, and any formula that is different than that provided to employees may engender feelings of inequity among paid employees. While these difficulties are not insurmountable, they add to the complexity of developing policies related to the needs of self-employed individuals.

### ***Personal Income Replacement vs. Assistance with Business Expenses***

In discussing the need for earnings protection for the self-employed, it became apparent to us that a clear distinction needs to be made between personal income replacement and income assistance for business operational expenses. These two aspects of earnings protection may call for different policy solutions: the former through a universal government program and the latter through savings, potentially with some kind of government support or through some kind of private sector involvement. A number of insurance providers offer insurance to cover business overhead expenses. Rather than basing payable benefits on net earnings (as is the case for personal income replacement), benefits payable for overhead expenses are based on average overhead expenses incurred over the previous year.

### **Eligibility Criteria for Benefits**

For employees, the criterion for determining who is eligible to collect special benefits is the number of hours worked in the previous 52 weeks (a minimum of 600 hrs). However, under a special provision for those in the fishing industry, eligibility is based on earnings within a fishing season rather than on hours worked. Similarly, under Quebec's *Act respecting parental insurance* (discussed in the next chapter), eligibility for both employees and self-employed individuals would be based on a minimum amount of gross earnings: at least \$2,000 in the previous 52 weeks.

When asked what kind of qualifying criterion would be preferable for self-employed individuals, 70 percent of self-employed women preferred earnings rather than number of hours worked.

Reasons for basing the criterion on earnings included the following.

- It is difficult to monitor the number of hours worked, especially for home-based workers.
- Many of the hours worked are not billable hours.
- It is too cumbersome to track hours.
- Self-employed individuals, on average, work more hours than employees so they would qualify quickly.
- A minimum number of hours may act as a disincentive to work.

Women who preferred a system based on hours rather than earnings (24 percent) listed the following reasons.

- Basing it on hours is more equitable, because self-employed individuals often make less money than paid employees.
- It would discriminate against low earners, who would be required to work more hours to qualify.

- New business owners often make low earnings.
- The earnings of self-employed individuals are variable; sometimes, a person receives a lump sum payment after a long period without any earnings.

### **Maternity/Parental Benefits and Clawbacks While Working Part Time**

Under the current EI program, employees can earn a maximum of 25 percent per week of their weekly benefit or \$50, whichever is higher, before parental benefits are reduced. There is no earnings exemption for those receiving maternity or sickness benefits. Doctors in Ontario, through an agreement between the Ontario Medical Association (OMA) and the Ministry of Health, can earn up to \$1,000 a week while on maternity leave before their benefits are reduced. In the case of doctors, this allows them to earn money to offset business expenses and maintain their practice while still reducing their workload.

The women we interviewed were asked how desirable it would be for self-employed individuals to have the option of making a certain amount of earnings while collecting maternity/parental benefits.

**Almost all the women interviewed (94 percent) indicated that working part time while on maternity leave was desirable, and some indicated it was critical to sustaining the viability of their business.**

*Because you own your business, you would have no choice but to work part time, because how could you just shut your business down?...It's not like someone could go in and fill your job [Owner of a computerized accounting business].*

Almost all the women we interviewed (91 percent) indicated the maximum allowable earnings should be different for self-employed people.

Some indicated the maximum allowable earnings should be based on a formula that considers both income and overhead expenses, while other women indicated a preference for a flat amount that was higher than \$100. Many felt the maximum allowable earnings of \$100 would be a joke; as one woman put it:

*\$100 is insignificant, it's an hour's work for most consultants.*

Of those who felt the maximum allowable earnings should be different, 70 percent suggested a flat amount (the average was between \$700 and \$750/week), and 30 percent suggested another criterion (e.g., one that took into account overhead expenses). Although most agreed a different formula for maximum allowable earnings was critical for self-employed women, some expressed concerns over how that aspect of the program would be monitored. While recognizing the need to stay involved in the business in some capacity after childbirth/adoption

or while recuperating from an illness, they were concerned about how this would be regulated, especially among home-based workers. Some saw a high potential for abuse.

### **Preferred Duration of Maternity Leave**

Under current federal Employment Insurance legislation, if they qualify, female employees are entitled to up to 12 months of combined sickness, maternity and parental benefits.

**Half the self-employed women we interviewed (51 percent) indicated it was definitely not feasible for women in their line of business to take 12 months away, and an additional 30 percent indicated it was not very feasible.**<sup>13</sup> When asked what a suitable maximum duration of payable benefits would be for self-employed women, half declined to specify a length of time, while several stated that self-employed women should have the option to take 12 months, regardless. Others noted that the duration of time one could take off from their business was highly dependent on the nature of the business, particularly if it was the kind of business for which a replacement is possible.

**Many women qualified their answer by saying it would be more feasible to take maternity leave if they could work part time while collecting maternity benefits.** As one woman put it:

*You need to maintain your visibility and you need to maintain your contacts and you might have to keep your finger in a bit of work to keep your business afloat.*

The remaining women indicated, on average, five months is a suitable duration of maternity benefit coverage for self-employed women.

**Just over half of the women (53 percent) preferred the option of taking a shorter leave than 12 months and having a higher rate of benefits paid.** In contrast to the federal Employment Insurance program, which has a standard rate of payable benefits for up to a year, under Bill 140 (Quebec's parental leave legislation), parents would have the option of taking a shorter period of leave with a higher rate of benefits paid.

### **Amount of Contributions**

Under recent changes (2003), employees will contribute a maximum of \$819 annually in EI premiums, based on the maximum insurable earnings of \$39,000. Employers contribute 1.4 times the employee rate, which will be a maximum \$1,147 annually. As previously noted, one of the most significant concerns among the women we interviewed was how much they would be required to contribute to access maternity and sickness benefits. The premium would likely be based on a number of factors, such as whether the program was mandatory or voluntary, the projected number of individuals who would be participating in the plan, the kinds of benefits covered under the plan and the amount of payable benefits. Estimates of contributions have been calculated for Quebec's parental insurance program

(which is mandatory and strictly for maternity and parental benefits) and are discussed in more detail in Chapter 8. Appendix D lists estimates of contributions.

At the time we conducted the Phase 2 interviews, we did not have the estimates of what it would cost to participate in a government-administered plan that would be specific to special benefits or exclusive to maternity and parental benefits. Regardless, we were interested in knowing if self-employed individuals could afford the current EI premiums. In a previous study conducted by Compas (2000), self-employed individuals were asked how much they would be willing to contribute to gain access to maternity and parental benefits. The majority (63 percent) were unable to give an estimate. In considering these findings, we decided to specify a fixed percentage of earnings (an estimate based on current EI employee/employer contributions), and we asked our participants to what extent they felt it was feasible for self-employed individuals in their line of work to contribute this amount.

**One quarter said it would be not very feasible or definitely not feasible to contribute 4 to 5 percent of net earnings to a government insurance program.**<sup>14</sup> Those who indicated

it was not very or definitely not feasible for them to contribute that amount were asked whether they thought 2 to 3 percent was feasible. Almost all the women (93 percent) thought this amount was possibly feasible.

### **Special Provisions Most Desired by Self-Employed Women**

In Phase 3, we asked self-employed women if they would be more or less in favour of extending special benefits through the federal EI program if certain changes were made to it. The percentages of women who said they would be more in favour of EI special benefits for the self-employed were as follows.

- Sixty-five percent were more in favour of increasing the amount of payable benefits from 55 percent of insurable earnings to between 70 and 75 percent, up to a maximum of \$750 a week.
- Fifty percent were more in favour of providing an option to take a shorter period of maternity/parental leave with a higher rate of benefits paid.
- Sixty percent were more in favour of allowing self-employed women to make a certain amount of earnings while collecting maternity benefits before benefits are reduced.
- Sixty-one percent were more in favour of increasing the amount of money parents can earn working part time before parental benefits are clawed back.
- Fifty-two percent were more in favour of broadening coverage to include other kinds of family caregiving (e.g., caring for a critically ill parent, child or spouse).
- Forty-eight percent were more in favour of extending sickness benefits to more than

15 weeks of coverage (i.e., long-term disability). For each item, between 23 and 37 percent of respondents indicated the provision would not change their opinion in any way. For each item, there were also a small percentage of respondents who indicated they would be less in favour of extending special benefits with the change in provision (between 7 and 17 percent).

### **Legislative and Administrative Challenges**

We interviewed federal representatives with expertise in labour market policy and the administration of the Employment Insurance program about a range of matters, including the feasibility of extending special benefits to self-employed individuals and of having a voluntary program and administrative and legislative challenges in extending special benefits.

**A voluntary program for insuring self-employed individuals was deemed *not* feasible by senior representatives in the federal government.** This was not viewed as a feasible option, because of the projected cost of such a program and the violation of the principle of pooled risk.

Many of the issues we had identified in our study were policy challenges that had already been identified, but not yet resolved (e.g., criteria for eligibility). One of the most significant challenges appeared to be the heterogeneity among the self-employed (e.g., how to devise a policy that fits the different circumstances and interests of different subgroups of the self-employed).

**The extension of EI special benefits to self-employed individuals would also likely require legislative changes to separate sickness and maternity/parental benefits (special benefits) from unemployment benefits due to loss of work (regular benefits).** Originally, unemployment insurance was introduced in 1940 as an active labour market strategy. The primary objective was to provide partial income replacement over the period of time an individual was between jobs. In the 1970s, legislative changes were made to Unemployment Insurance (UI) in response to two major trends: the growth of human rights and equity issues as important public policy considerations, and fiscal concerns of the federal government, to restrain both government expenditures and the impact of taxes. In response to recommendations made in the 1970 White Paper, the UI program implemented sickness and maternity benefits for women in 1971 (HRDC 2002). Since that time, sickness and maternity/parental benefits, though categorized as *special benefits*, have continued to be administered through the current Employment Insurance scheme.

Over time, further changes to Unemployment Insurance, now retitled Employment Insurance, have been introduced. In the 1990s, these included changes to regular (unemployment) benefits that affected both eligibility for, and the duration of benefits, reducing repeat claims and reducing the amount of benefits. Reduced coverage and stricter eligibility requirements have been accompanied by other active measures (including training programs and support for small business start-up). At the same time, other changes occurred that are intended to provide more



support for “special” circumstances, such as the birth or adoption of a child. While the duration and flexibility of parental benefits has increased considerably, the benefit level is less generous than in most OECD countries, and coverage is more limited than previously, in part because of the increase in non-standard work, including self-employment.

Thus, one challenge that is becoming more obvious is the difficulty of providing coverage and benefits for more social purposes under a program that is primarily designed for other (labour market) purposes. The call for broadening special benefits to include other circumstances (such as family caregiving) or for adding more creative options (allowing parents and caregivers to work part time while receiving some level of benefits) is also challenging.

Finally, extending special benefits (and some form of income protection to keep a small business afloat in the event of unexpected circumstances) presents additional challenges in design and administration that are difficult to accommodate within the current system. All these factors, and others, require careful consideration and may necessitate repositioning special benefits outside of EI, and/or additional complementary policies.

### **Feasibility of an Earnings-Based Criterion Rather than Hours**

We inquired about the feasibility and desirability of having a different eligibility criterion for self-employed individuals based on earnings instead of hours. However, the federal representatives we spoke to identified problems with a revenue-based criteria system, which is used with self-employed fishers. If a revenue-based system is used, attention must be paid to the criteria levels set, neither making them so high as to exclude those who would most benefit or so low that they could encourage abuse of the system.

### **Precedents for Extending EI to Categories of the Self-Employed**

In addition to self-employed fishers, for whom special provisions have been created to allow their self-employed earnings to be insurable for the purposes of collecting both regular and special EI benefits, there are other classes of self-employed workers that have also been granted special provision. These include barbers, hairdressers, manicurists, taxi drivers and drivers of other passenger-carrying vehicles. The owner, proprietor or operator of the barbershop or hairdressing business is considered to be the employer for EI purposes of the individuals who perform services in connection with the establishment, even if the individuals are self-employed. In these instances, the earnings of these workers are insurable even if they are self-employed. Similar provisions are in place for the other categories of workers identified above.

### **Summary**

In this chapter we examined various aspects of EI legislation, specifically those related to the provision of special benefits, and analyzed whether the design features could be similarly applied to self-employed individuals. The findings indicate the extension of special benefits, as

provided to employees, while providing partial personal income support, would be ineffective in meeting the needs of many self-employed women, likely resulting in low rates of utilization.

Most self-employed women need to stay involved in their business in some capacity after childbirth or the adoption of a child. Significant clawback provisions on parental benefits, however, would serve as a disincentive for them to work while on maternity leave, thereby decreasing their visibility in the market and placing their businesses at increased risk for failure or even bankruptcy. Moreover, the maximum allowable earnings provision for parental benefits causes a problem for business owners who need to generate some earnings to pay for their operational costs.

The amount of payable benefits provided under current EI provisions is seen as inadequate for most self-employed people. Because we did not survey paid employees, we do not know whether they view the amount as equally insufficient. In addition to the need for personal income support, some business owners require additional financial support to pay for their overhead expenses while on maternity or sickness leave. It may not be appropriate or publicly acceptable for this to be provided through the Employment Insurance program. Other policy initiatives may be required to facilitate access to this latter form of earnings protection (i.e., enhanced tax credits, group insurance plans offered by associations). This is discussed in greater detail in Chapter 13.

The eligibility criterion, which is based on hours worked, is also unlikely to work for self-employed individuals, because of difficulties verifying this information. In addition, it would be burdensome for self-employed individuals to track this information. Quebec's parental insurance plan is based on a minimum amount of gross earnings. Although a few of our respondents were worried there would be more repeat users of the program with this criterion, our respondents also believed that self-employed individuals are more motivated to work than employees, and less likely to take time away from their work.

The majority of women were more in favour of extending EI special benefits to self-employed individuals with the following changes.

- Enhance the payable benefit level to 70 to 75 percent.
- Increase the maximum insurable earnings.
- Allow recipients to work part time while on maternity leave, if they want.
- Increase the amount one can earn working part time while on parental leave before benefits are clawed back.
- Give individuals the choice to take a shorter period of leave with a higher percentage of benefits paid.
- Extend coverage to include long-term disability and other family caregiving situations.

If special benefits were extended to self-employed individuals through the existing EI program, it would require amendments to the legislation, possibly separating special benefits into a different program. While the challenges of making significant changes to EI provision may seem daunting to some, it is worth noting that this program that is so important to Canadians has seen other important changes introduced over time. Employment Insurance is a key policy and program area, specifically because it combines labour market and social policy goals. Modernizing and improving its capacity to serve both purposes in ways that correspond to changing needs is a critically important goal.

## 8. QUEBEC'S PLAN TO EXTEND MATERNITY AND PARENTAL BENEFITS TO SELF-EMPLOYED INDIVIDUALS

### Overview of the Legislation

The Quebec National Assembly passed legislation on May 25, 2001 that, among other things, extended maternity and parental benefits to self-employed individuals living in Quebec. Bill 140, an *Act respecting parental insurance*, outlined a number of significant changes to the provision of maternity and parental benefits, including a change to the eligibility criteria so benefits are more accessible to working parents in non-standard forms of employment (e.g., part time, self-employed) and an enhanced amount of payable benefits.

Under this legislation, parents who qualify would be eligible for:

- up to a maximum of 18 weeks of maternity benefits;
- up to a maximum of 5 weeks of paternity benefits;
- up to a maximum of 32 weeks of parental benefits; or
- up to a maximum of 37 weeks of adoption benefits.

Parents would have two choices in regards to payment of benefits:

- 70 percent of their average weekly earnings for the first 25 weeks and 55 percent of their earnings for the rest of the period (25 weeks); or
- 75 percent of their average weekly earnings for a maximum of 40 weeks.

The maximum insurable earnings would be at \$52,500, compared to \$39,000 under the federal EI program. To put these numbers into perspective, the maximum amount a woman on maternity leave can currently collect is \$413 per week. Under Quebec's proposed changes, the maximum amount would almost double, to \$757 per week. With a few exceptions, the calculation of benefits under Bill 140 would be based on average insurable earnings from the previous 26 weeks of the person's qualifying period.

Under the current EI, eligibility criteria for maternity and parental benefits are based on having worked a minimum of 600 hours in the previous 52 weeks, or since the beginning of the last benefit period. Under Quebec's plan, eligibility would be based on a minimum level of gross earnings (\$2,000 during the qualifying period). There would be no waiting period, compared to the two-week waiting period required under the federal EI program.

The implementation of this program is contingent on Quebec successfully acquiring control of its share of funds from the federal EI program. There has been a resubmission to the Cour d'appel du Québec to achieve this end. Under Quebec's plan, maternity and parental benefits would be separated from sickness and unemployment benefits and administered by the Régie des rentes du Québec. Sickness and unemployment benefits would remain under federal jurisdiction and prorated amounts of employee and employer premiums would

remain the same. Within this proposal, only a percentage of the premiums would be directed to the Quebec parental insurance plan, with the remainder continuing to support the federal Employment Insurance program for sickness and unemployment benefits.

Self-employed individuals would be required to pay their share of the premium for parental and maternity benefits, plus half of what an employer would pay. The exact amount of these contributions has been calculated and can be found in Appendix D. A self-employed person with gross income of \$20,000 would pay \$92 annually, but since the income would be income tax deductible, the net contribution would be reduced to only \$57 (which is about 0.2 percent of personal earnings). A self-employed person earning \$50,000 would be required to contribute \$147 annually (net contribution). Quebec's parental insurance program would involve mandatory participation by both employees and self-employed individuals who qualify based on a minimum earnings level in the last year.

### **Cost Recovery of the Parental Insurance Program**

Quebec plans to recover the costs of administering the program through several means. First, under this proposal, there will be a reduction in EI premiums and those funds will be redistributed to Quebec. Second, there will be a larger pool of funds from contributions made by self-employed individuals. Third, funds to the maternity allowance plan (a provincial program that pays the two-week waiting period before collecting EI benefits) will be redirected to the parental insurance plan.

### **Philosophy Behind Quebec's *Act respecting parental insurance***

A meeting was held in Québec City with officials from the Ministère de la Famille et de l'Enfance (now known as the Ministère de la Solidarité sociale et de la Famille) to gather information about this legislation. We were particularly interested in the reasons why this policy and program were developed; the details of how the program would work; how premiums would be determined; the challenges experienced in devising the policy and current challenges in implementing it; and whether or not the government had considered including other forms of income support to self-employed individuals (for illness or other family care reasons). An interview was scheduled with two representatives; however, only one was able to attend the meeting.

The *Act respecting parental insurance* is a central component in Quebec's larger family policy initiative, which is focussed on improving supports to parents and their children. The initiative is discussed in a government paper entitled "Le livre blanc: Les enfants au Coeur de nos choix" (Families First 1997). The policy proposals discussed in this paper were intended to:

- ensure fair treatment of all families through both universal support measures and increased targeted support for low-income families;

- support parents' efforts to balance their work and family lives; and
- foster children's development.

In the Families First document, there is mention that changing labour market trends (i.e., a reduction in full-time, full-year paid employment and an increase in non-standard employment, including self-employment) are not reflected in current Employment Insurance policy. The report also notes that eligibility for maternity and parental benefits is too restrictive, resulting in the exclusion of many working parents, particularly as the minimum number of hours required for eligibility increased from 300 hours to 700 hours in 1997.<sup>15</sup> As well, the report refers to studies that emphasize the importance of parents spending time with their infants during the first few months of life. It is anticipated that additional income support for maternity or parental leave will encourage parents to spend more time with their newborns or newly adopted children.<sup>16</sup> Last, the report is critical of the current level of payable benefits under EI as being inadequate for most families to maintain a reasonable standard of living. In the document, it is noted the increase in payable benefits under Bill 140 is necessary to ensure that "the fact of becoming a mother or parent is not the immediate cause of a drop in a family's standard of living" (Families First 1997: 25).

Most of these sentiments were reiterated during our interview in Québec City. It was noted that 50 percent of new parents are excluded from accessing maternity and parental benefits. (Exclusions apply to those not in the labour force, including students, as well as those who are employed but don't have the minimum of 600 hours to qualify and self-employed parents.) It was also stressed that the provision of maternity and parental benefits is a social policy issue, and reasons for lumping them together with income support for job loss were not well understood.

### **Challenges and Concerns**

During initial government hearings in Quebec, concerns were raised from several organizations. One major objection or concern voiced among the groups opposed to the legislation was the cost required to contribute. The Canadian Federation of Independent Business also presented the results of a survey indicating the majority of its members were not interested in gaining access to maternity and parental benefits. Other concerns included a fear of higher contributions and additional bureaucracy created by separating maternity/parental from other Employment Insurance benefits. Still other groups were supportive of the government's plans but required that more of the details of how the plan would operate be made public and included in the Bill. In our meeting, we inquired about other issues that had been identified through our own research. The discussion of these issues follows.

#### ***Viability of a Voluntary Program***

From our research, we knew that self-employed individuals were strongly in favour of a voluntary program. We therefore asked the Quebec representative whether any consideration had been given to a program based on voluntary contributions. The answer was "no," because with voluntary participation, the premium levels would be too high. As well, a voluntary program would violate the principles of pooled risk and broad-based participation that underlie the notion of a universal benefit supporting shared policy goals.

### ***Extending Benefits to Other Caregiving Circumstances***

We also asked whether any consideration had been given to extending benefit provision to other kinds of family caregiving, such as for an elderly or sick relative or a critically ill child. During the study period of the proposed legislation, both government and official opposition representatives indicated they recognized the importance of the question, but that the *Act respecting parental insurance* was not the right vehicle to address this problem.

### ***Concern about Misuse***

We asked whether there was any concern about potential misuse of the program (i.e., individuals who work to meet the minimum criterion of \$2,000 in earnings and become pregnant to collect benefits). This was not necessarily viewed as a negative aspect of the program, because of the declining birthrate in Quebec and because benefits would be adjusted proportionately to contributions. Furthermore, the benefits as well as the contributions are established as a function of the insurable earnings.

### ***Issues Specific to Self-Employed Individuals***

Although Quebec's *Act respecting parental insurance* takes a giant step forward in improving the economic situation of working parents taking leave from work to care for a newborn or adopted child, the legislation does not address issues specific to the situation of the self-employed, particularly self-employed women. Because the intent was to improve income support during maternity or parental leave for *all working parents*, there are no special legislative provisions designed for self-employed individuals (e.g., dealing with clawbacks while working part time, a higher level of maximum allowable earnings, making exceptions for contributions from individuals with start-up companies). While some of these issues were raised during the parliamentary hearings, legislative amendments were not considered or implemented to accommodate these concerns. Further, Bill 140 does not include short-term sickness benefits, which are included under Employment Insurance. Hence, self-employed individuals and employees who worked less than 600 hours in the previous 52 weeks would still be ineligible for government income support.

### **Advantages**

Quebec's *Act respecting parental insurance* addresses two major limitations associated with maternity and parental benefits under the current Employment Insurance program: the adequacy of benefits and access for all working parents.

### ***Adequacy of Benefits***

Under the current EI program, many dual-earner parents and single working parents experience a significant drop in their income after the birth or adoption of an infant or child. This drop in earnings comes at a time when the family is also faced with the additional costs associated with child rearing. The financial strain can be taxing for parents, some of whom will return to work earlier than they had planned to, thereby restricting the amount of time they are able to spend with their infant. Under Quebec's *Act respecting parental insurance*, the increase in payable benefits and maximum allowable earnings ensures that parents

maintain a reasonable standard of living during this phase of child rearing and provides greater income security to new parents.

### ***Accessible to All Working Parents***

Under the current EI program, only a portion of working parents qualify for income support after they give birth or adopt a child. We can only expect this percentage to decrease as more people enter non-standard forms of employment. The outcome is fewer parents being able to spend time with their newborn or adopted infant/child and a higher risk of personal debt among those who decide to take a longer leave. Quebec's parental insurance program is universal and grants access to parents who work part time as well as those who are self-employed. Income support during a maternity leave is even more paramount for women who work on a part-time basis, given that their earnings are lower compared to full-time paid employees. Last, the two-week waiting period under the current EI program will be eliminated under Bill 140.

### **Attitudes of Self-Employed Women Living in Quebec Toward Bill 140**

In Phase 2 of our research, we sent participants in Quebec a one-page description of Bill 140 and asked them a few closed-ended questions to assess their level of satisfaction with the policy, as well as whether they would like to see other kinds of benefits included. Over half were satisfied (53 percent) or very satisfied (7 percent) with the provisions of Bill 140, while one third were somewhat not satisfied (33.3 percent) and 7 percent were not satisfied at all. In addition to maternity and parental benefits, almost all the respondents would like to see short-term sickness and long-term disability benefits included as well (93 percent support for both long- and short-term disability). Two thirds also would like to see dependent-care benefits included.

Phase 2 participants were asked whether they thought the income replacement provisions were adequate. Sixty percent indicated the amount was very adequate or adequate; one quarter of those interviewed felt it was somewhat inadequate; and 13 percent indicated it was very inadequate. Not surprisingly, the Quebec women held more favourable attitudes toward the benefits payable under Bill 140 than did women living in other parts of Canada, who commented on the benefits provided under the current EI program.

Unlike the federal EI program, under Bill 140, individuals taking a maternity/parental leave would have a choice as to whether to take leave for a full year with slightly lower benefits, or take a shorter period of leave and receive a higher percentage of benefits. There was no clear consensus among Quebec respondents on this aspect of the legislation. Forty-seven percent of women living in Quebec preferred having this option, while 53 percent preferred to have a fixed rate over the year. Among women living outside of Quebec, 55 percent wanted the option to take a shorter leave at a higher benefit rate, 35 percent preferred a fixed rate and 10 percent said: "It depends." We were somewhat surprised that more women didn't prefer the option to take a shorter leave with a higher percentage of benefits paid, considering that most indicated they couldn't maintain their business if they were to take 12 months away from it. It is possible, however, that even with more favourable benefit rates, financial pressures would severely restrict their options.



## **Other Provincial Governments and the Provision of Maternity/Parental Benefits**

Although Quebec is the only province in Canada extending maternity and parental benefits to self-employed individuals and to administer them provincially, other provinces have taken steps to ensure selected groups of self-employed individuals are insured for maternity leave. In a unique precedent, the Ontario Medical Association negotiated an agreement with the Ontario government in July 2000, wherein the Ministry of Health and Long-Term Care would fund maternity benefits for female doctors (who are considered to be self-employed).

Under this agreement, female doctors who have lived in Ontario for the previous six months may access up to 17 weeks of paid benefits. The payable benefits are calculated at 50 percent of gross earnings over the last six months, up to \$880 a week. In contrast to legislative provisions under EI which limit female employees from working while collecting maternity benefits, under the OMA agreement, female doctors may earn up to \$1,000 a week before their benefits are reduced. Manitoba, British Columbia and Nova Scotia have implemented similar programs for doctors to cover both maternity and parental leave in their provinces.

### **Summary**

During our interviews with self-employed women, we encountered a certain degree of scepticism associated with extending special benefits to self-employed individuals. While most expressed the belief that self-employed individuals should have access to maternity and sickness benefits, any optimism was tempered by the challenges and logistics of devising and implementing a plan. The drafting of Quebec's *Act respecting parental insurance* and its passing in the National Assembly demonstrates that where there is political will, there is a way.

It was clear from our discussions with the representative from the Quebec government that maternity and parental benefits are viewed as a social policy/family policy issue, rather than a labour attachment issue, and their positioning under Employment Insurance is viewed as misplaced. In addition to reclassifying benefits, Quebec's plans to enhance the level of benefits and allow for greater flexibility related to their payout are seen as desired improvements. Finally, their calculations of premiums for maternity and parental insurance show the cost of coverage for these purposes only is much less than might be expected based on a mandatory plan that also includes coverage for job loss (regular benefits). It would be worthwhile to conduct another survey of the self-employed to determine if they would support the extension of maternity and parental benefits alone, or as part of a broader group of special benefits that includes sickness and support for other forms of dependent care, knowing exactly how much/how little they would be required to contribute.

## 9. A SELF-FUNDED TAX SAVINGS PLAN

In our discussions with women during Phase 1 of the project, we asked them to consider policies that might enable them to access income support during a leave of absence from their business due to sickness or maternity leave. Several women suggested some kind of tax-sheltered savings plan for self-employed individuals, as an alternative to, or as a complement to, a government insurance plan. As we envisioned it, this option would be similar to a first homebuyer's plan in that it is self-funded and offers tax incentives. In the event of sickness or maternity, one could make withdrawals from the plan without being taxed, as long as the money is paid back incrementally over a 10-to-15 year period. At retirement age, the funds would be rolled into an RRSP.

This proposed type of plan is classified as an individual development account (IDA) and is best described as a restricted use savings account. Typically, IDAs have been identified as an asset acquisition tool for low-income individuals that enables them to access matched funds to accelerate their own savings to acquire approved assets, such as saving for post-secondary education, a down payment on a first home, or capitalizing a new business. IDAs are already widely used by middle and upper income earners in Canada. Examples of current IDAs include the Registered Retirement Savings Plan (RRSP), Registered Education Savings Plan (RESP), the grant matching program Canada Education Savings Grant (CESG) and the Registered Home Ownership Savings Plan (RHOSP). The proposed self-funded tax savings plan draws on the principles of IDAs, and extends the opportunity for individual directed savings with government support specifically to business owners and the self-employed.

### **Perceived Importance**

In Phase 2 of our research, we sent our participants (67 women and 56 other key informants) a description of a self-funded tax savings plan and asked them to rate the importance of setting up such a plan for self-employed individuals. Of the self-employed women interviewed, 88 percent indicated it was very important or somewhat important. Only 11 percent indicated it was somewhat not or not at all important that such savings plans be available.

### **Women in caregiving/personal service occupations or with low earnings were as much in favour of this option as women in professional occupations or with higher earnings.**

It is important to note, however, that many self-employed women qualified their support for a self-funded tax supported savings plan option by stating that it was important to have this option available to them, only in the context of a voluntary government regulated plan *not* being available. Among the other stakeholders, almost three quarters (73 percent) indicated it was very important or important to make such a plan available. The remaining 27 percent indicated it was somewhat not or not at all important.

## Perceived Advantages

Self-employed women liked this plan for the following reasons.

- It allows them to have more control over their money, and it was viewed as more flexible than the Employment Insurance plan.
- Respondents felt they could access their money without having to wait several weeks or months, as is the case with the current Employment Insurance program.
- It was felt this model would result in less government bureaucracy than extending special benefits to self-employed individuals.
- Many self-employed individuals already self-insure for maternity and sick leave. Our first survey indicated that 65 percent of self-employed women were using personal savings to cover their expenses during a sickness leave and 39 percent had funded their maternity leave through personal savings.

## Feasibility of a Tax-Sheltered Savings Fund

In discussing the tax-sheltered plan with our key informants from the banks, all indicated that it would be feasible for banks and credit unions to administer this kind of plan. In response to this question, one bank manager added:

*It's so easy, it's not to be believed.... We could sell that product, I believe, so easily.*

We made numerous attempts to interview policy analysts from the federal Department of Finance to identify any policy challenges associated with implementing this kind of plan but, unfortunately, were unable to recruit any representatives.

## Concerns

A list of possible concerns was presented to self-employed women, and they were asked which of them would be a concern to them or to women in a business similar to theirs. This list was also presented to 13 executive directors of associations that offer memberships to self-employed women. They were asked to respond based on their experience in serving the needs of self-employed women. Their responses were as follows.

- Those with low earnings may not have the capacity to contribute to a plan: 88 percent of women and 100 percent of associations shared this concern.
- Money withdrawn from the plan could deplete retirement savings: 82 percent of women and 67 percent of associations shared this concern.

- There is too much paperwork/red tape in applying for benefits: 53 percent of women and 54 percent of associations shared this concern.
- There are difficulties in administering a plan: 43 percent of women and 46 percent of associations shared this concern.

One participant, a management consultant, projected that there might be long-term unanticipated consequences of such a proposed plan.

*It is short-sighted from a government perspective.... You end up 30 years down the road with a bunch of broke pensioners, because they have used all their RRSPs up [Management consultant].*

Several key informants who dealt with self-employed women on a more regular basis, felt that use of the program would be low, because self-employed women have little disposable income and have other pressing financial obligations. Some indicated that self-employed individuals are generally preoccupied with the maintenance of the business and have less time to contemplate and plan for an illness or disability that may occur in the future.

Other concerns about this option included the following.

- It is viewed as more costly for individuals with larger families.
- Savings could be depleted through bad investments.
- Such plans could adversely affect the business of private insurance firms.
- Some self-employed individuals may not have the means to pay the money back.

### **Attitudes after Considering the Pros and Cons**

In the last phase of our research, we sent a summary that described the various opinions of all stakeholders to our Phase 2 participants. We wanted to give participants a second opportunity to re-evaluate the importance of implementing the different policy options, after they had considered all the potential advantages and disadvantages of each alternative. After reading the summary, participants were asked to rate the extent of their agreement and disagreement with various statements.

**After considering the pros and cons of the tax-sheltered savings plan, close to three quarters (71 percent) of self-employed women agreed or strongly agreed that it should be implemented.** The findings were quite similar among the other stakeholders, with 71 percent agreeing or strongly agreeing that it should be implemented.

In the very last question of the Phase 3 survey, we asked participants to rank their preferences for the different policy options, those being:

- a tax-sheltered savings plan;
- private insurance;
- a mandatory government plan; and
- no plan.

Respondents were not asked about a voluntary government plan, because it was deemed not to be feasible by government officials and in our round 2 interviews. Participants were asked to rank their preferences for each kind of benefit separately.

As can be seen in Table 5,<sup>17</sup> the tax-sheltered plan was preferred over the other options, and was ranked as the option of choice both for the provision of maternity and sickness benefits.

**Table 5: Preference for Tax-Sheltered Plan, Government Plan or No Plan**

	Maternity or Parental Earnings Protection (%)		Earnings Protection for Short-Term Sickness (%)	
	Women	Stakeholder	Women	Stakeholder
Tax-sheltered plan	65	67	56	50
Mandatory government plan	31	25	31	24
Status quo	7	13	15	29

The rank ordering of preferred options for maternity income replacement options was similar for self-employed women and stakeholders.

## Summary

This chapter summarizes attitudes about a model that would allow self-employed individuals to deposit a percentage of their earnings into a specialized savings plan, sheltering the funds and the interest generated from being taxed. The savings could be withdrawn to replace lost earnings associated with taking maternity leave, ill health or leave to care for a critically ill spouse, parent or child.

Generally, the self-employed women we interviewed were in favour of having a self-funded tax savings plan available to self-employed individuals. In fact, of the various policy options presented, it was the most preferred. Since many were already using their personal savings for living expenses and to keep the business operational after the birth of a child or because of poor health, the idea of being able to shelter any growth in the investments from being taxed was viewed positively. The availability of such a plan may also encourage more women to save in advance before a crisis occurs. In comparison to a mandatory government-regulated plan, the self-funded plan was seen as being associated with less government bureaucracy and offering greater flexibility and control. As well, money could be accessed immediately, without having to wait the two-week period under EI benefit rules. According to some of the bank representatives who participated in our study, this type of plan is viewed as a very feasible option. Banks and credit unions already have templates they could work from, such

as the first homebuyer's plan. Unfortunately, we were not able to recruit any representatives from the federal government to comment on the feasibility of this option from a public policy perspective.

It is unlikely, however, that the majority of self-employed women would be able to reap the benefits of this proposal. Considering that over 50 percent of self-employed women take home less than \$20,000 annually from their business, one wonders how much money would be left to invest in a specialized savings program for family caregiving and health reasons. Most of our respondents were concerned that those in low earnings occupations would not have the funds to contribute, and people may deplete their retirement savings to fund their own maternity or illness-related leave. The program would also be less likely to benefit individuals who already maximize their tax write-offs and those who have start-up companies that yield limited personal income. Moreover, several representatives from associations did not think self-employed individuals would have the foresight to contribute. There are too many other financial obligations to worry about in the present, let alone worrying about things that may or may not happen in the future. Last, more tax deductions will further reduce net earnings, which may limit women's eligibility for private insurance programs and their access to financing.

## 10. ACCESS TO PRIVATE INSURANCE

### Rates of Coverage

In Phase 1, we asked self-employed women whether they had insurance coverage for the following kinds of circumstances:

- short- and long-term disability insurance;
- extended medical insurance;
- liability insurance;
- life insurance; and
- home-based insurance for those who operated their business out of their own premises.

Our findings are similar to those reported in a recent national survey on self-employed individuals in Canada (Delage 2002). In our sample, 42 percent reported having some form of disability insurance compared to 40 percent in the national survey. Women in professional occupations/high earning businesses were slightly more likely to report being insured (50 percent) compared to those in service/caregiving occupations (35 percent). Our sample was more likely to have some form of supplementary health insurance (52 percent) compared to the 40 percent reported in the national survey.

**Women in professional occupations/with higher earnings were more likely to have private health insurance compared to women with low self-employment earnings and those in personal service/caregiving occupations (65 vs. 41 percent).**

Professional liability insurance, life insurance and home-based insurance were not documented in the national survey. Results from our survey indicated life insurance was the most commonly purchased insurance with 77 percent of our sample reporting having this form of insurance. Just over half of the sample reported having professional liability insurance (52 percent) and 56 percent of those who operated their business from their home had some form of home-based insurance.

### Sources of Coverage

The source of coverage depended on the type of insurance. For example, among those with medical insurance, 59 percent reported having benefits through their spouse's plan. Disability benefits were less likely to be offered through spousal plans; only 5 percent of those with disability benefits reported being covered through their spouse's benefit plan. Close to 90 percent of those with coverage had purchased disability benefits privately, either individually or through an association, compared to only 34 percent who purchased health insurance coverage privately. Further details are provided in Table 6.

## Cost of Coverage

The cost of insurance varied widely. Among those who purchased disability insurance privately, the annual rates ranged from \$200 to \$5,000 a year, with an average yearly cost of \$1,079. Among those who purchased extended medical coverage, the cost of premiums ranged from \$120 to \$3,000 annually, with a mean of \$951. The ranges and average costs of insurance are listed in Table 6.

To facilitate access to a comprehensive drug plan for individuals without coverage (i.e., through an employer) or the resources to purchase private insurance, Quebec has created a provincial drug plan that includes coverage for self-employed individuals. Those individuals eligible for the public plan include persons who do not have access to a group plan, those age 65 and over, and income assistance (welfare) recipients. All persons who fall into one of these categories *must* participate. The maximum annual premium is \$422 per adult per year, regardless of whether they purchase drugs, but the actual premium paid is determined based on net family income. There are classes of individuals exempt from paying premiums, such as full-time students, those under 18 years of age, and employment assistance recipients, among others. Users of the plan must also pay a deductible of \$9.13 per month and co-insurance, which equals 27.4 percent of drug costs. These supplementary costs are capped to a maximum monthly contribution of \$68.50. There is provision to eliminate or reduce the deductible and co-insurance for various groups (i.e., those on welfare, children, full-time students).

## Challenges in Obtaining Insurance

In Phase 1, when the self-employed women in our sample did not have private insurance, we asked about their reasons (Figure 7).

**Cost was the most common reason for not having disability insurance.** Among those without disability insurance, two thirds (67 percent) said they could not afford it. One out of five (20 percent) didn't think they needed disability insurance; 18 percent had not thought about it, and 11 percent were denied access because of pre-existing medical conditions or type of occupation.

*The main thing that I have run into and that has been problematic for me was the short- and long-term disability and the excessive, excessive costs because of my health problem (diabetes) [Massage therapist].*

**Cost was also the most common reason for not having extended health coverage.** Of those without supplemental health insurance, 62 percent indicated they could not afford to purchase it; 17 percent didn't think they needed it; 14 percent had not thought about it and 7 percent did not qualify. Several of the women we interviewed discussed how their prior medical history precluded them from qualifying or made the premiums unaffordable for them to purchase supplementary health insurance.



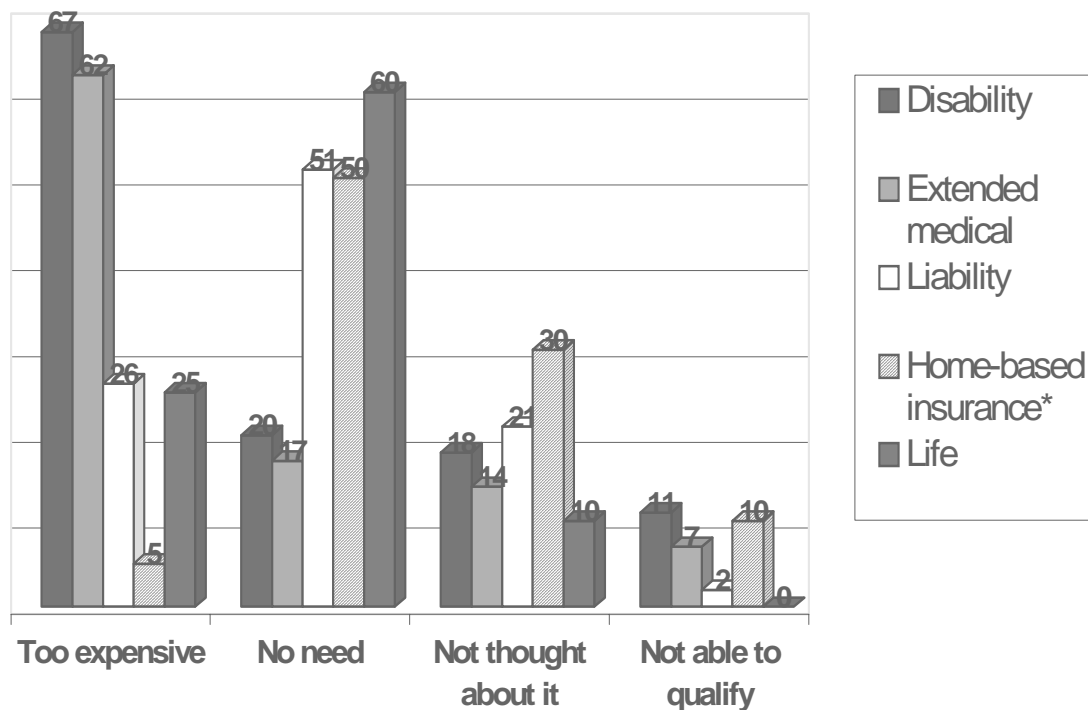
Table 6: Rates of Coverage and Cost of Private Insurance Among Phase 1 Participants

Type of Insurance	% with Coverage	Annual Cost of Private or Group Insurance*	Source of Coverage
Short- or long-term disability	42	Mean = \$1,079 Median = \$900 Range \$200 to \$5,000	Spousal benefit plan = 5% Individual self-purchased = 65% Group self-purchased = 24% Other = 5%
Extended medical	52	Mean = \$951 Median = \$360 Range = \$120 to \$3,000	Spousal benefit plan = 59% Individual self-purchased = 18% Group self-purchased = 16% Other = 6%
Life	77	Mean = \$598 Median = \$360 Range = \$25 to \$2,400	Spousal benefit plan = 9% Individual self-purchased = 84% Group self-purchased = 7%
Liability	52	Mean = \$785 Median = \$400 Range = \$30 to \$5,000	Not asked
Home-based insurance	56	Mean = \$234 Median = \$190 Range \$20 to \$720	Not asked

Note:

\* Excludes insurance under a partner's benefit plan.

Figure 7: Reasons for Lack of Coverage



Some participants cited sharp increases in premiums in recent years, which forced them to discontinue their insurance plans. One day-care provider described purchasing extended medical insurance through her professional association, but in the previous four years the rates had increased from about \$650 a year to \$2,100 a year, which made it impossible for her to continue payments. The escalation of insurance premium costs was reiterated during an interview with an insurance broker in Phase 2 of our research.

*The disability and extended medical, those particular insurances have an alarmingly increasing rate of claims and the challenge that the insurance companies have, in order to continue to make a profit...they have to continually increase their premiums to offset the increasing claims...it forces them to focus on the risks that are good compared to the risks that are bad.... The marketplace is becoming a lot more competitive and in order to make money, they need to focus on the segments, on the risks that are profitable [Insurance broker].*

In a recent report commissioned by HRDC (Compas 2000), average costs for disability insurance ranged from \$83 to \$125 a month. In Phase 2, we asked women how feasible it would be for them to pay \$100 a month for disability insurance.

**About half the sample indicated it would be not very feasible or definitely not feasible for them to pay \$100 a month in premiums for disability insurance.**<sup>18</sup> Only 20 percent of our sample indicated it was very feasible for them to pay \$100 a month for disability premiums. The majority of these women (85 percent) were in professional occupations or high-income generating businesses.

**When business is slow or finances tight, insurance premiums are one of the first areas to be cut.** According to a marketing consultant in our sample:

*That was one of the things that went (disability insurance) when I had my son with diabetes. I was starting to reduce expenses and I thought: "Get rid of this."*

**Cost was less of a barrier for other forms of insurance such as liability and home-based insurance.** Among individuals without home-based insurance (who operated their business out of their home), 10 percent were not able to qualify.

*It was a somewhat challenging and trying process, even with a broker, because the insurance companies seemed very resistant to self-employed home-based business operations. They needed a ton of documentation and, in my opinion, a ridiculous amount of detailed questions.... It was a somewhat frustrating process [Media relations consultant].*

In some cases, low earnings disqualified self-employed women from being able to obtain disability insurance.

Several home day-care providers described difficulties obtaining other forms of insurance that are specific to the work they do (e.g., transporting children in the car, water-related activities). One woman indicated that only one insurance provider in her area would insure home-based day care.

Unaffordable insurance premiums placed several of the self-employed women we interviewed at a higher risk for bankruptcy, should something go wrong with their health. This is especially true for self-employed women without an employed spouse. As one woman put it:

*If there was challenge to my financial life right now, I would have no choice but to go bankrupt, but you know I am holding it together really well but rather than pay \$400 or however much on insurance [Computer training consultant].*

### ***Other Concerns about Private Insurance***

In Phase 2, we presented self-employed women with a list of potential concerns related to private insurance companies offering and administering insurance coverage for short- and long-term sickness. The list was generated from comments expressed by the self-employed women participating in Phase 1. Phase 2 respondents were asked to indicate whether each item was of concern to them or to other self-employed women in similar circumstances.

**Table 7: Concerns about Private Insurance, Phase 2 Participants**

Concern	Shared This Concern %
Cost is too high	96
Eligibility requirements are too restrictive	83
Waiting period to collect benefits is too long	83
Current benefit packages don't meet their needs	69
Payout is not enough to offset business expenses	68
Lack of trust in insurers	46

### **Knowledge about Private Insurance**

In Phase 2, we asked women to what degree they felt self-employed women had adequate knowledge about private insurance plans.

The vast majority (86 percent) felt that the knowledge of most self-employed women regarding private insurance plans was somewhat inadequate or very inadequate.<sup>19</sup> Although we did not ask why they believed this to be the case, several mentioned there was not enough time for them to evaluate the kinds of insurance they should be purchasing or to shop around for a plan that would best serve their needs. Others shared stories of their difficulties in trying to locate insurance. One woman, a freelance public relations consultant, commented:

*[It] was like pulling teeth trying to find it [disability insurance].*

Among our representatives from associations and training programs, 83 percent indicated self-employed women's knowledge was very or somewhat inadequate. A few representatives from associations or training programs for the self-employed felt their members' knowledge was weak in this area, because they hadn't seriously considered the possibility they may not be able to run their business in the future, because of an illness or disability. Self-employed women were more concerned about financing and other business issues than their own personal health. One representative from a training program commented:

*Self-employed women don't consider an interruption in their business.... Usually when we introduce this component of the program, you see amazement — like I really didn't think about that, you know I thought I would be doing this for every day for the rest of my life.*

Others felt the products being sold by insurance companies were marketed and tailored to the business needs of larger organizations. The needs of smaller organizations and own-account self-employed were overlooked.

*If you're a young person starting a small business, you have no money so don't try to sell me the bundle, I can't afford it. Give me a 12-step program, give me something where I can grab a hold of something. I've got something there and I can grow with you but don't try to sell me the bundle. I can't do it [Owner, networking association].*

### **Addressing Information Needs for Insurance**

Several women voiced the desire to have a one-stop place to obtain information to save them time. One woman noted that the information about insurance is out there but

*you have to go hunting for it. There's not just one place where you can go and find out what's available.*

One woman who ran an organization that specializes in networking and training for self-employed women suggested there was a gap in servicing self-employed women in this area. She acknowledged that while there was no shortage of information from insurance companies, an independent and objective source of information about insurance was lacking.

*I've heard from a variety of my clients and members that they need to have the opportunity to sit down with someone who's knowledgeable, look at their income, look at their structure and give them an overview of their choices and what their choices will mean to them, both short term and long term. I believe that there's an expert needed...knowledge is key...there should be workshops offered on a regular basis that are supported by the Women's Directorate, supported by women's associations which are not pitching a particular product or service [Owner, networking association].*

This same respondent felt insurance needed to be part of the larger business plan.

*We need to be able to look at it (insurance) as part of the business plan. It has to be an integral part of the business plan that we need to understand.*

### **Vulnerable Groups**

In our interviews with self-employed women and representatives from other stakeholder groups, there appeared to be certain groups of the self-employed that were more likely to experience difficulties in obtaining private insurance, particularly for disability and health. These groups included:

- individuals with a previous health condition;
- those generating low income;
- those considered to be in “high-risk” occupations;
- those with start-up companies, whose net income tends to be quite low;
- home-based workers; and
- seasonal workers.

Most companies have a list of occupations they will not underwrite. In our discussions with insurance providers, the following were listed as occupations that were less likely to be underwritten: day-care providers, cab drivers, pilots and window washers.

Women in the start-up phase of their company have difficulty for two reasons. First, insurance companies insure based on taxable income, and the net income of most self-employed people in their first few years is too low to qualify. Second, insurance providers look at tax returns for the previous two years, which may not exist for new businesses.

Some women also told us they had been denied insurance, because they did not meet a minimum income requirement. In a survey of insurance companies commissioned by HRDC, six of the nine insurance companies responding to this question had a minimum income requirement, some as high as \$18,000 a year (Mercer Ltd 2000).

For some, the option to purchase private insurance does not exist, because of eligibility restrictions related to prior health conditions. One woman who had open-heart surgery at the age of 18 indicated she is unable to get private insurance, no matter what the cost. Another woman was in a car accident and although she recovered fully, she had difficulty obtaining insurance for disability benefits. Those with medical conditions who are able to access health or disability insurance are often precluded from being underwritten for any pre-existing conditions they may have.

## Summary

A substantial proportion of self-employed women lack insurance that would provide partial income replacement in the event of sickness or disability. About half did not have supplementary health coverage.

Cost is a significant barrier for many self-employed women, particularly those in higher risk occupations, those in occupations or businesses with low earning potential, and those in the start-up phase of their businesses. Other reasons for not having private insurance included little knowledge about the kinds of insurance they should be purchasing, stringent eligibility restrictions and benefit packages that are not tailored to the needs of small businesses and own-account self-employed.

Some self-employed women are confronted with other pressing demands related to the business. They lack sufficient time to assess their own personal insurance needs and to search for the kind of insurance that would fit their needs and budget. Some representatives from associations suggested that insurance companies need to tailor specialized products to meet the needs of small businesses and own-account self-employed women. Some also suggested the government should play a greater role in educating self-employed women on the importance of insuring themselves and their businesses and in facilitating access to information on the kinds of insurance they should be purchasing and where it can be obtained.

## 11. THE ROLE OF PRIVATE INSURANCE

Given that self-employed individuals are denied access to maternity and parental benefits, as administered through EI, we wanted to know whether self-employed women thought these kinds of benefits should be offered privately, their reservations about private companies administering maternity and parental benefits, and the extent to which this proposal is feasible.

The desire for income support for family caregiving purposes is not limited to parents of newborns or adopted infants and children. While there are no current statistics on the proportion of families who have a disabled or critically ill child, it is estimated that between 5 and 20 percent of children have a disability or chronic health condition (Irwin and Lero 1997). Furthermore, a significant proportion of Canadians provide care on a regular or occasional basis for an aging relative. In 1999, one in four employed Canadians reported providing care or support to an aging family member, a proportion that one can anticipate will increase dramatically over the next decades (MacBride-King 1999). There is no government income assistance plan that covers lost income from a temporary or extended absence from paid employment that may be necessary to care for a critically ill child, spouse or parent. This gap in earnings protection led us to wonder whether private insurance companies had considered offering dependent-caregiving insurance, whether they thought this was feasible and the challenges they might face in doing so.

Our interest in private insurance went beyond family and dependent caregiving benefits. We also wanted to identify ways in which access to private insurance plans for other kinds of coverage, such as disability, could be broadened.

### **Maternity, Parental and Dependent Care Leave Benefits**

#### ***Attitudes Toward Insurance Companies Offering These Benefits***

In Phase 2, we asked self-employed women which of the following kinds of insurance they thought should be accessible through private insurance plans. Between 78 and 85 percent believed private insurance companies should offer maternity/parental benefits and 88 percent believed they should offer dependent care leave benefits.

#### ***Perceived Advantages***

Private insurance companies were viewed as being able to offer more flexible options in their plans than the government.

*There are choices so you're not just stuck with one thing. One of the things I don't like about government-regulated things is that there's only that. It's within the boxes — there are no choices — you can't mix and match*  
[Executive director of an association].

Some participants believed payouts under a private insurance plan would be greater, because they could purchase insurance to cover their true income replacement needs, rather than be restricted to the caps imposed in most government-regulated schemes. However, cost was recognized as the limiting factor. Participants only get what they are willing to pay for and

must “qualify” to participate. Some individuals with pre-existing conditions are barred from purchasing private insurance at any cost.

Some respondents stated the private sector was run more efficiently than the public sector and there would be less bureaucracy in applying for benefits. Our interviews from Phase 1, however, included several women who expressed their frustration at trying to collect disability payments in a timely fashion from a privately purchased plan. A few people indicated the private sector tends to be more accountable to its clients than the government, and hence, there might be less chance a private insurance company would mismanage the funds.

### ***Reservations about Private Insurance Offering Maternity, Parental and Dependent Care Benefits***

While the majority of self-employed women felt private insurers should be offering a wider range of insurance than they are offering, many noted these types of insurance (e.g., maternity benefits, dependent care leave) would be too costly for them to purchase. As well, some were worried the duration of time it would take to start collecting benefits would be too lengthy. Some stated that eligibility restrictions might deny access to people most in need of income protection (e.g., those in low earnings categories, start-up companies). As well, several key informants felt self-employed women tend to think of themselves last and would be more likely to purchase insurance to protect the business (e.g., covering fire, theft) than insurance to protect their own personal needs.

*If they are a start-up, it's very expensive. There are so many other priorities, and when they think about that they are thinking about self...and women tend not to think about self first [Executive director of an association].*

### ***Feasibility of Extending Private Insurance to Cover Maternity, Parental and Dependent Care Leave***

We asked representatives from the insurance industry to what degree it was feasible for insurance companies to offer maternity and family-related insurance. We were told it is *not* feasible for private companies to offer such coverage, because of an anti-selection bias. In other words, only those planning to collect benefits would purchase the plan. This would make the plan prohibitively expensive for purchasers and unprofitable for insurance companies. Two insurance providers told us about a company in the United States that had attempted to offer maternity benefits, but was unsuccessful. Another insurance provider told us that an association of lawyers had approached his company to inquire about the possibility of devising a group maternity benefits plan for lawyers. After his insurance company had considered the plan, it was deemed not to be financially feasible.

One group we were able to identify that had access to a type of “maternity” coverage is dentists. The Canadian Dental Association has negotiated with an insurer for partial coverage for overhead expenses while dentists are on maternity leave. While the policy does not provide benefits for the first child and is time limited, what makes this more universally attractive to the membership is that it also covers illness/disability.



Insurers expressed similar concerns (i.e., cost, anti-selection bias) about offering coverage for dependent caregiving leave. This type of insurance was also viewed as being too administratively complex, because the insurance would be based on the health of a third party. As such, it would be difficult to determine premium levels, because the company would not be underwriting the person who has the potential to become critically ill. This kind of insurance was identified as the type that is most open to abuse. Consequently, it is believed there would be a high rate of claims. One insurance provider commented that expanding benefits to include family-related leave would expose the industry to more instances of abuse. Difficulties in determining eligibility criteria were also noted as problematic.

**Of 11 insurance providers interviewed, only three thought offering dependent care insurance was feasible.** One stakeholder we interviewed, who owns an agency that contracts the services of self-employed caregivers, told us of a particular company that is trying to implement a “paid dependent care” insurance plan for its employees. In this kind of employer-sponsored insurance plan, the employee would have access to paid home-care services for an ailing family member. The company projects the implementation of this plan would save them \$6 million per year in costs related to absenteeism. It is unlikely, however, that the plan would provide payment to a caregiver who is an immediate family member.

A couple of insurance providers indicated that while dependent care leave was not offered, individuals could purchase critical illness insurance instead. With this kind of insurance, a person receives a lump sum payment in the event they become seriously ill or incapacitated (e.g., heart attack, cancer). The payout can be used for any purpose, including payment of a home caregiver or family member who chooses to take time off work to care for them.

## **Disability Insurance**

### ***Strategies to Enhance the Affordability of Private Disability Insurance***

We asked representatives from the insurance industry how a self-employed person could reduce the cost of premiums for disability insurance. The most common response was to self-insure for the short term and lengthen the period of time they would have to wait until long-term disability benefits would be paid. Another way to lower premiums is to reduce the amount of payable benefits one would receive. Other suggestions included purchasing insurance at an earlier age or purchasing it through an association that offers members group insurance coverage.

### ***Disability Insurance and Tax Deductions***

Under Canadian tax regulations, self-employed individuals who purchase private disability plans that cover personal income replacement cannot claim their premiums as a tax deduction.<sup>20</sup> One woman we interviewed indicated she stopped contributing to a private insurance plan once her accountant told her she could not deduct the premium as a business expense. Instead, she decided to invest the money in a private fund.

**Of the self-employed women we interviewed in Phase 2, 87 percent believed self-employed women would be more likely to purchase disability insurance if they could deduct the premiums from their income tax.** Several representatives from other stakeholder groups, however, did not feel it was fair to have it both ways (i.e., claiming disability insurance premiums as a deduction and receiving the payable benefit exempt from tax).

### **Partnerships with Associations**

Many participants in Phase 1 and Phase 2 of our research believed professional and business associations could play a larger role in facilitating benefits coverage for self-employed individuals by offering group insurance at a lower cost. Several participants, however, particularly those in the day-care industry, described the difficulties their associations had experienced in trying to obtain or maintain group benefit packages from insurance providers.

In our interviews with executive directors of associations, we asked them if they offered their members any group insurance and, if not, whether they had attempted to do so in the past. Only one of the associations we interviewed offered group insurance for disability benefits.

### ***Challenges Preventing Insurance Companies from Offering Group Insurance Plans to Associations***

Among the 11 insurance providers we interviewed, seven provided group plans to associations of self-employed individuals. They identified two major obstacles that prevented most insurance providers from negotiating plans with associations: their inability to guarantee participation rates and administrative difficulties.

### **Unable to Guarantee Participation Rates**

Insurance companies generally require a large number of participants to spread the risk. When large corporations offer insurance to their employees, participation is often obligatory, and contributions are automatically taken off employees' pay cheques. Many associations, however, don't have the numbers that insurance companies require for plans to be profitable. Second, because associations cannot force their members to participate in insurance programs, even large associations cannot guarantee adequate participation rates. When participation is voluntary, it often results in an anti-selection bias.

A few people suggested that various associations might try to band together to form a "national" association of self-employed individuals to spread the risk and lower the cost of insurance for occupational groups considered to be higher risk.

### **Administrative Difficulties**

In comparison to group insurance plans for employees, it is more administratively complex to set up a group plan for self-employed individuals, because there is no employer or human resources department. In a large organization, companies deduct premiums directly from employee pay and submit one cheque to the insurance company. Furthermore, it is more

difficult to do checks and balances on members of an association (e.g., income, job tasks), because there is no overall employer.

### **Summary**

The findings from our interviews indicated that while self-employed women would like to have the option to purchase private insurance for maternity/parental and dependent care, this was not viewed as a viable option for insurance providers to undertake. Women liked this option, because they believed it would be more flexible than the extension of government benefits and that the payable benefits would be higher.

Our self-employed participants were concerned, however, that the cost of purchasing maternity/parental insurance would be too prohibitive. As well, they felt the eligibility restrictions would be too stringent and the waiting period to receive benefits would be too long. A couple of insurance providers had attempted to offer maternity benefits in the past, but were unsuccessful because of anti-selection bias. There was also not a big enough pool of contributors to spread the risk.

The feasibility of offering a dependent care insurance plan is also doubtful, because insurance companies would be underwriting a third party. It was also viewed as being too administratively complex to set up, and it would be challenging to determine eligibility for collecting benefits. Moreover, this kind of insurance is seen as being open to abuse.

During our interviews, insurance providers mentioned another way in which self-employed individuals could use private insurance to cover the costs of caring for a critically ill parent, spouse or child. This would entail purchasing critical illness insurance for their spouse and/or dependants. In the event that a critical illness occurred, the lump sum payment could be used for them to take a leave of absence from their business.

Ways of increasing access to other types of insurance were also examined. These included individual strategies (e.g., lengthening the waiting period to receive benefits, reducing the payable benefit one would receive), the provision of greater tax incentives by the federal government for the purchase of insurance for personal income replacement, and building partnerships between associations and insurance providers.

Various factors deter insurance companies from negotiating group insurance plans with associations of self-employed individuals. These include organizations with too few members, not being able to guarantee participation rates and administrative challenges. It was also pointed out that a national association of self-employed individuals might be able to ensure sufficient enrollments. It would have significant bargaining power with insurance companies to increase the possibility of addressing member concerns.

## 12. ACCESS TO FINANCING: CHALLENGES AND STRATEGIES

### Barriers Faced by Self-Employed Women Applying for Business Loans

Numerous surveys on self-employed women document that one of their most frequent obstacles is accessing capital (Knight 1996; Lee-Gosselin and Grise 1990; Manley and Gallivan 1997). Compared to self-employed men, women face additional barriers accessing financing for their business, not because of their gender per se, but because of other factors related to the kind of businesses women tend to own and operate (e.g., smaller, in the service sector, home-based, part time, lower earnings potential). In Phase 1, we wanted to document the kinds of challenges self-employed women experience in accessing funds to start or grow their businesses. Later in Phase 2, we interviewed representatives from banks (e.g., loans managers, credit managers, a vice-president of small business banking) and asked them to comment on possible options or strategies that could facilitate greater access to financing among women who own low earning businesses.

**Over half the women who applied for a business loan reported challenges securing funds.** Of the 78 women surveyed, 47 percent indicated they had taken a loan to finance their business, and of these, over half (54 percent) indicated they had difficulties in obtaining credit.<sup>21</sup> We also asked these women if they had experienced a period of time when they felt their business was in jeopardy either because of a general downturn in the economy or a decrease in business demand. Of the 78 women surveyed, 54 percent said “yes.”

**Despite a lack of consistent evidence that bank lending practices discriminate against women, the perception persisted among many of the women we interviewed.** One management consultant commented:

*As a woman, I felt there was some hesitancy to look at me as an independent business person.*

Another self-employed woman stated:

*I do feel that they (banks) do discriminate against women in small businesses.*

These perceptions are consistent with other surveys of self-employed women that report a sizable number (between 24 and 27 percent) perceive gender discrimination related to the approval of bank loans (Belcourt et al. 1991; Stevenson 1984).

Several of our representatives from banks acknowledged this was an issue they were aware of, but made it clear it was a *perception*, not reality. Some banks had made efforts to understand issues pertinent to self-employed women by conducting their own focus groups with self-employed women. One loans manager felt it was important to have more women working as loans officers, because she felt self-employed women were more comfortable dealing with a female. In our own interviews, there were several examples of women who

made specific mention of the fact they were dealing with a *female* banker or *female* loans manager when describing how they got approved for a loan. As an example, when one of our participants was asked if she had experienced any difficulties accessing a loan, she said:

*Yes and no. Yes, in the sense that I had to go to a couple of different banks and everyone was, well this is a service and not a tangible, and second I found, actually it was a credit union, and it was a female who had her own business and she said, you know this is what we need. Change your business plan to do this, this and this, and basically guided me through the process. She was the first person. She said if you do this, we can help you in this way, instead of saying no [English as a second language instructor].*

In Phase 1, we constructed a slightly different interview schedule for self-employed home day-care providers, because of their unique employment situation. In doing so, we did not ask this particular group about accessing a loan to finance their business, because it was assumed they had few, if any, operational costs. However, our assumptions were incorrect, and several home day-care providers described frustration in not being able to access credit for their business.

*Securing a personal loan for caregivers through the banks is very difficult...it would be nice to have the banks understanding that there are women that do this as a career, for 20 to 25 years [Day-care provider].*

**Difficulties in accessing loans were not restricted to those with lower earnings. Those in business services also had difficulty accessing loans. They felt banks were more likely to grant loans to businesses in the goods industries.**

*The fact that I was in consulting and didn't have widgets to show them, it was all knowledge work. They didn't seem to understand that concept, that it had value [Management consultant].*

One loans manager from a credit union commented that one of the greatest factors limiting women's access to capital for business is they tend not to be in the goods sector. Because there are fewer assets to liquidate in a service business in the event of bankruptcy, the bank sees them as higher risk. Prior research has confirmed that approval rates are related to the type of industry, with those in service areas less likely to be approved for business loans (see Moore 1999).

**Female entrepreneurs may have difficulties accessing business loans from commercial banks, because micro-loans are less attractive for the major financial institutions to offer.** In a review of five studies examining the amount of capital requested by self-employed individuals during the start-up phase, Brown et al. (2001) reported that most women start their businesses with less than \$10,000; one particular study noted there was a significant demand for funds under \$5,000. The amounts were smaller than the sums of loans requested by self-employed men.

In many of the stories we heard, women had requested small loans from their banks and were rejected. A couple of individuals we interviewed from commercial banks indicated there is a disincentive for a loans officers to deal with small loans, because the work involved is comparable to processing a loans application for larger amounts. Moreover, smaller loans are less profitable for banks than larger loans. Another stakeholder (the executive director of a professional association in Eastern Canada) stated there has been a reduction in the entire micro-enterprise market in her province.

### **Personal Strategies for Accessing Financing**

In our interviews, self-employed women described several strategies they had used to provide funding for their business. Many said that before they could obtain financing they had to get a co-signer, typically their spouse or their parents. During the years they had a co-signer, they were able to build their own credit so eventually they could obtain credit independently. Another common method was to use a personal line of credit (e.g., line of credit on personal credit cards) to finance the business. One bank representative indicated that between 30 and 40 percent of self-employed women use personal loans to finance their business. This is comparable to data reported in Brown et al. (2001) who indicated that between 30 and 60 percent of self-employed women use their own personal savings or personal credit cards to fund their business ventures.

Single women, those without an established credit history or those without collateral (e.g., a home) face additional barriers in obtaining funding for their business. Several women we interviewed who fit into one of those categories described travelling from bank to bank, until they finally spoke to someone who would approve them. Those who were denied found other ways to obtain needed funds. One woman we interviewed used the extra loan money from her car loan to buy supplies for her office.

### **Options for Low Revenue Businesses**

We asked representatives from the banking industry to comment on any options that existed for low-income generating businesses that need a small loan to keep the business viable.

Suggestions for obtaining a small loan for a business with low revenue included:

- obtaining a personal line of credit;
- getting someone to co-sign the loan;
- using credit cards;
- going to community lending associations;
- accessing government-sponsored loan programs;
- going to credit unions; and
- getting a small business overdraft.

It was noted that a personal line of credit is not based on the financial projections of the business; therefore it provides an easy way to obtain access to credit for a small business. Some banks have also implemented express loan application procedures, enabling applicants to gain access to credit within 24 hours. Approval for these kinds of loans is mainly based on the individual's personal credit history and personal assets.

### **The Need for Income Assistance to Help Stabilize Earnings of Start-Ups**

In Phase 2, a few of our stakeholders (including self-employed women) felt there was a need for additional income support for individuals while first starting their businesses, because their revenue is more unstable during that time and some have significant start-up costs. Some individuals who qualify for Employment Insurance can access the Self-Employment Assistance program (SEA), which provides some income assistance during the first year in the start-up phase of a business. However, as expressed by one of our stakeholders from an association that offers training to self-employed women, the eligibility criteria for SEA are quite restrictive.

*The criteria that are set up...totally eliminate a specific population. They eliminate newcomers...they eliminate women on social assistance...women who took time off to raise their children and have been out of the labour market a long time...most definitely, the criteria are very, very restrictive and eliminate a large percentage of the population.*

In Phase 3, we asked self-employed women, as well as our other stakeholders, whether the federal government should extend access to training programs funded through the EI program to self-employed individuals. They were reminded that self-employed individuals would be required to make financial contributions to the plan, if training programs were extended. About two thirds of self-employed women and two thirds from the other stakeholder groups agreed or strongly agreed.

### **Specialized Financial Programs and Services**

The federal government has taken steps to reduce barriers faced by self-employed women, particularly those in disadvantaged positions (e.g., low earnings, low collateral) by implementing a number of government-sponsored loan programs and services aimed at enhancing access to micro-loans. A few of these loan programs are targeted at female entrepreneurs who would otherwise experience difficulty obtaining financing through the major banks, because they have not built up a credit history, do not have an employed spouse, lack collateral or are in need of a small loan. A few of these services and programs are listed below.

**The Atlantic Canada Opportunity Agency**, a federal agency that aims to improve economic development in the East, provides interest-free loans to self-employed individuals in the Atlantic region to expand, start up or update equipment. Those in personal or social service industries, retail/wholesale and real estate are excluded.

There are also **community business development organizations**. These non-profit corporations assist business in various areas including training, information, financing and business counselling. In Atlantic Canada, 41 community business development corporations service the needs of self-employed individuals. Financial assistance provided through these organizations is targeted at those who would otherwise experience difficulties obtaining business loans through commercial banks.

The **Western Economic Diversification Agency** is a federal agency that aims to promote business growth and economic development in Western Canada. In recognition of the unique barriers faced by female entrepreneurs, The **Western Enterprise Initiative (WEI)** was created, which specifically services the needs of self-employed women, providing them with information, business counselling and financial assistance. This initiative is funded by the Western Economic Diversification Agency. There are non-profit centres established through WEI in every western province. Similar to the non-profit centres established in Eastern Canada, they offer micro-loans to women whose access to funding through banks is limited. One such organization is the Women Entrepreneurs of Saskatchewan. They report having approved over 100 loans, resulting in over 300 new full-time employment positions.

**The Economic Development Agency of Canada** for regions of Quebec manages a network of 14 business offices that provides information and support across the province.

In Ontario, the **Rural Enterprise Loan Fund** provides loan funds through **Women and Rural Economic Development** to members who otherwise may not be eligible for credit, to receive first-time, low collateral loans to start up or expand a business. The Rural Enterprise Loan Fund is based on a “step-up” borrowing process whereby the member is eligible to apply for more financing, to a limit of \$3,000, after each preceding loan is repaid. Micro-entrepreneurs in Southwestern and Eastern Ontario and the Simcoe-Grey/Bruce area are eligible. The goal of the program is to help businesswomen establish a credit history that is sufficient to make them eligible for financing through commercial lenders.

The numerous programs and services that exist to provide financial assistance to Aboriginal businesses are worth highlighting. For instance, **Aboriginal Business Canada**, a program of Industry Canada, provides financial assistance as well as information, resource materials and referrals to other possible sources of financing and business support. Similar services are provided by a partnership program, **CESO Aboriginal Services/Business Development Bank of Canada (BDC) Strategic Alliance**. Services include both financial and management support. There are also innovative alliances between the government and the private sector with partners, **Scotia Bank and BDC**, to support Aboriginal-owned small- and medium-sized businesses with capital and support services.

In addition to loans programs funded by the federal government, a few non-profit organizations have partnered with the private sector to facilitate access to loans to self-employed women. One such organization is **COSTI**, which offers social, educational and employment services to new immigrants. It has partnered with a local bank to create a micro-loans program for self-employed women (between \$500 and \$1,000).



Several interviewees from the stakeholder groups felt their knowledge of other services and programs for self-employed individuals was limited and desired more opportunities for dialogue with other stakeholder groups. One bank manager indicated that after doing focus groups with self-employed women, the bank brought together a group of “influencers” and realized each had little knowledge of the other groups. One advantage of this increased dialogue was that the bank was better able to refer clients to other programs and organizations for things the bank was unable to provide.

<[www.BusinessGateway.ca](http://www.BusinessGateway.ca)><sup>22</sup> is a federal government Web site that acts as a single point of access for all government programs and services for self-employed individuals or those considering starting their own businesses. It offers information on various sorts of financing, including micro-credit. The search engine allows one to make requests for information based on type of industry, location and amount of funds required. The **Canadian Business Service Centres (CBSCs)** is an initiative achieved through the co-operative arrangement of 37 federal business departments, provincial, territorial governments and, in some cases, the private sector, associations and academic and research communities. The primary goal of the CBSCs is to enhance access to information on government services, programs and regulations, and to answer questions about starting a new business or improving an existing one. There are 13 centres — one in every province and territory. Although the program is managed by federal agencies, each site is tailored to meet the needs of its distinctive client base in the respective province/territory.

## Summary

The findings from this chapter indicate the majority of women we interviewed who approached a bank for a loan and experienced difficulties getting approved. Although previous research has not found consistent evidence of gender discrimination (see Moore 1999), there were perceptions of such discrimination among some of the women we interviewed. Previous studies do suggest that self-employed women use different methods than men to finance their business and are more likely to use personal savings and personal credit (Brown et al. 2001). They are also more likely to request smaller business loans. This was evident among many of the women we interviewed. Based on our interviews with representatives from banks and credit unions, these types of loans are not widely offered through commercial banks, because they are less profitable and they require the same degree of resources to process as large loans.

For self-employed women looking to secure a small loan, options include obtaining a personal line of credit, using personal credit cards, going to a credit union, or community-based lending organization, or searching for government-subsidized loans.

Traditional loan approval policies, which base decisions on collateral, type of business and projected growth, do not fit the circumstances of many female-owned businesses, particularly those who are working own-account, from their homes and in the service sector. Moreover, the policies are exclusionary to new immigrant women who have not had an opportunity to build their credit history. Although alternative options are in place, such as

community lending associations and government-subsidized loans, these do not appear to be equally available in different regions of Canada.

Most of our participants believed the government should broaden the eligibility criteria for participation in the Self-Employment Assistance program. This would enable new immigrants, individuals who have been out of the work force for several years, students and those who have quit their jobs to qualify for training programs and personal income support during the first year they start their own business.

As part of this study, we documented several instances of successful partnerships between banks, associations and government. There is clearly a need for more dialogue between the various stakeholder groups to facilitate more partnerships and to increase their awareness of other services and programs available to self-employed women. Moreover, although we discovered many types of subsidized loan programs through our research, none of the self-employed women we interviewed mentioned these as a source of their funding. It would be worthwhile to examine the degree to which self-employed women are aware of these programs, how well the programs meet their objectives of servicing women who would otherwise be denied loans, and the success of these programs in creating employment and sustaining or promoting business growth.

## 13. SUMMARY AND POLICY RECOMMENDATIONS

This chapter reviews the major findings from our study and uses the information to suggest recommendations for policy makers and decision makers in government, banks, insurance companies and associations. Our intent was to come up with recommendations that would widen accessibility to various forms of income protection for self-employed women, paying particular attention to vulnerable groups (e.g., low earners, those with prior health conditions, those in the start-up phases of their business) who may not have the resources or be denied the option to purchase various forms of earnings protection privately.

The need for income security among self-employed women is not limited to interruptions in their business for caregiving or health reasons. Prior research indicates access to financing and maintaining a sufficient cash flow are some of the most pressing challenges with which women have to cope to maintain their businesses. We examined both private and public models of income assistance and attempted to delineate the conditions under which government programs would be more desirable, appropriate and feasible than private mechanisms.

In conceptualizing different kinds of policy proposals for self-employed individuals, we felt it was important to distinguish those that serve a social protection purpose from those aimed at supporting the business needs of self-employed women. As discussed in this chapter, we believe that while the former call for programs that are universally accessible and administered through a public model, the latter call for greater private sector involvement and collaboration between different stakeholder groups.

### **Enhancing Income Protection for Maternity, Parental and Short-Term Sickness Leave**

#### ***Tax-Sheltered Savings Plan***

This option was the most preferred among our participants in Phase 3 of our research.<sup>23</sup> We were somewhat surprised at the strong support displayed for this option, considering that it would be individually self-funded rather than based on pooled contributions. However, this option appears to be closely aligned with entrepreneurial norms and preferences for less government regulation and control generally expressed by self-employed individuals. With this option, self-employed individuals could choose whether or not to contribute and it would afford them greater flexibility in how to invest their money than a government-regulated plan would. Moreover, as most self-employed women were already self-funding their maternity and short-term sickness leaves, there was strong support for the additional benefit of a tax deduction.

The tax-sheltered savings plan, although viewed as desirable among the majority of women in our study, suffers from a number of shortcomings. First, it would not be accessible to all self-employed individuals, because those in low earnings categories would not have the savings to contribute. Considering the earnings distribution of self-employed women, which is skewed toward the lower end, this plan would likely benefit only a small proportion. In addition, those in the start-up phase of their business would be unlikely to contribute, because of other pressing financial obligations. Second, this type of plan would not appeal to those who already maximize their tax write-offs. Third, it might result in the depletion of retirement

savings. Fourth, contributions may still be insufficient to cover the length of leave required. Finally, some individuals might be unable to pay back the money withdrawn.

We do not believe this option to be an appropriate mechanism on its own to provide earnings protection for maternity and sickness leave, because it would not provide social protection to those most in need. Later, we discuss how this option might be applied to protect the sustainability of small businesses by limiting its use to business overhead expenses.

### ***Private Insurance Plan***

Private insurance was viewed as less desirable than both the tax-sheltered savings plan option and a government-regulated plan among our self-employed participants. Moreover, this option was *not* deemed to be viable because of an anti-selection bias, which would result in exorbitant premiums. Therefore, the feasibility of having a private insurance scheme to cover maternity/parental leave was identified as unrealistic.

### ***Extending EI Special Benefits Coverage to Self-Employed Individuals***

Our findings indicate that while the extension of maternity, parental and short-term sickness benefits to self-employed individuals through EI was seen as important, there were reservations. These concerned the cost of premiums, the amount of payable benefits, how benefits would be calculated, clawback provisions, eligibility restrictions and whether all self-employed individuals would be mandated to contribute. The vast majority of women we interviewed were in favour of a voluntary program. However, this was deemed not to be feasible by government stakeholders, because only those most likely to use the benefit would opt into the program, inflating premium levels and violating a model of pooled risk.

Those self-employed women who opposed a government-regulated plan felt it would be another form of taxation, and that it was contrary to the entrepreneurial spirit of being self-sufficient. Some were sceptical that a plan could be devised which would fit the different needs and varying circumstances of self-employed individuals. Those who were strongly in favour of a government-administered program believe it is important to guarantee social protection for all working Canadians, not only employees. If a government-regulated program were to be instituted, the concerns expressed by those opposed to such a program would need to be addressed and the advantages of this type of program correspondingly highlighted.

Quebec's *Act respecting parental insurance* (Bill 140) provides a template of how the extension of special benefits to self-employed individuals could be implemented. The province proposes the separation of maternity and parental benefits from Employment Insurance benefits. Cost estimates for maternity and parental premiums are projected to be quite low (approximately 0.3 percent of earnings). The enhancement of benefits and the additional flexibility of taking a shorter period of leave with a higher percentage of benefits paid are changes that are likely to heighten the appeal to both employees and self-employed individuals.

## Recommendations

There are several noteworthy provisions in Quebec's *Act respecting parental insurance* that are intended to improve the income security of working parents and enhance access to maternity and parental benefits for self-employed individuals and other workers who lack EI coverage. Accordingly, we think the federal government should consider incorporating several of its provisions into the *Employment Insurance Act*. They are as follows.

1. Separate maternity and parental benefits from Employment Insurance benefits.
2. Extend coverage to self-employed individuals.
3. Increase the payable benefits from 55 percent of insurable earnings to at least 70 to 75 percent of earnings.
4. Increase the maximum allowable insurable earnings from \$39,000 to \$52,500.
5. Allow new parents the option of taking a shorter period of leave with a higher percentage of benefits paid.
6. Base the eligibility criteria on a minimum level of gross earnings rather than the number of hours worked, keeping in mind that the level should be inclusive, particularly to those in low earning categories.

While these proposed changes will address several limitations of the current EI program, we believe additional provisions may be required to widen its appeal to self-employed individuals. These would include the following.

7. Eliminate the penalty for working part time among mothers collecting maternity benefits.
8. Enhance the maximum amount one can earn while collecting maternity and parental benefits before benefits are clawed back.
9. Offer a rebate on premiums to self-employed individuals in their first three years in business.
10. Include within special benefits, income support for compassionate leave and family caregiving necessitated by the acute illness of a parent, child or spouse/partner.
11. Administer the program federally rather than provincially to ensure equal accessibility across different regions in Canada.

As a prelude to adopting these recommendations, the following steps should be undertaken.

12. Conduct an analysis of the pros, cons, feasibility and implications of administering special benefits outside the Employment Insurance program or separately within the program.
13. Conduct a cost analysis of the EI program to determine the unique cost of premiums for maternity, paternity and sickness (special) benefits, separate from the cost of premiums for Employment Insurance for job loss.
14. Conduct a second cost analysis, estimating the premiums for maternity, parental and sickness benefits, factoring in the contributions of all self-employed Canadians.
15. Once a cost estimate has been established, survey interest in extending special benefits to self-employed individuals and others not covered under existing rules, providing them with this information, along with the additional recommendations 1 to 11.
16. Conduct an analysis of the various forms of self-employment (e.g., own-account, business owner, contingent, home-based, low-income earners) and different conditions that may necessitate legislative changes to accommodate the varying circumstances of different groups.

### ***Rationale and Impact on Self-Employed Women***

In the following section, we address why our recommendations do not correspond to the preferences voiced by respondents in our Phase 3 survey (who favoured a self-funded savings plan over a mandatory government-regulated plan) and provide a rationale for the direction we think the federal government should take.

In Phase 1, there was strong support among participants for the extension of maternity and parental benefits to self-employed women with 90 percent indicating it was very important that they be available to self-employed women.

In our interviews in Phase 2 and Phase 3, in which we asked respondents to rank their desire for income protection benefits, we consistently found less support for the extension of federal EI benefits (based on mandatory contributions) and stronger support for the self-funding savings plan model. There are, however, limitations in the data gathered, particularly during Phase 3, wherein respondents were given the opportunity to read the responses of others and then rank order preferences one last time. First, only 32 self-employed women responded to our Phase 3 survey (48 percent response rate), and the majority of them (61 percent) were higher-earning business owners or professionals, a group more likely to have the financial resources necessary to make contributions to a self-funded savings plan.

Second, we were unable to provide Phase 3 participants with the projected cost of contributions to a government-regulated plan, even though the cost of premiums was an overriding concern among the women we interviewed (79 percent of Phase 2 participants were concerned). At that time, we had not yet received the cost projections related to Bill 140 calculated by Quebec. Consequently, in our handout accompanying the survey, we indicated that employees currently contribute about 2 percent of their earnings to the EI program, and employers contribute about

3 percent. Because these percentages are 10 times the cost of what Quebec estimates the premiums for maternity and parental benefits would be under their plan, we may have led our participants to believe it would be more costly to contribute to a government-regulated plan than would actually be the case. Respondents might have rated the government-regulated plan more favourably than the tax-sheltered plan, if they had access to this information before filling out the final survey.

**Third, we believe changes to federal EI legislation are needed to ensure all working women have a right to some level of earnings protection after the birth or adoption of a child, regardless of industry, level of earnings or form of labour.** Self-employed individuals with limited financial resources have few alternatives but to continue working after the birth or adoption of a child. The enhancement of benefits would prevent new parents from experiencing a significant drop in earnings during this time. The elimination or reduction of penalties for working part time while on leave would promote labour force attachment and decrease the threat of bankruptcy among self-employed women who need to stay involved in the business in some capacity while on leave. Moreover, this may act as an incentive for younger women to enter self-employment, who might otherwise be dissuaded, because they would normally not be entitled to maternity/parental benefits.

Drafting and passing legislation like Bill 140 is an important step toward providing more workers with earnings protection during maternity and parental leave. Several additional changes, however, are required to address the specific circumstances of self-employed individuals (e.g., modifying clawback provisions). Moreover, we believe it is necessary to extend coverage of sickness benefits to self-employed individuals as well. The rationale for doing so is twofold: short-term sickness benefits offered privately are largely inaccessible to self-employed individuals, because insurance is too costly, and this would broaden the appeal of the program to self-employed women who are past their childbearing years. It would also be more attractive to men as well.

#### *The Need for Additional Supports During Maternity, Parental and Short-Term Sickness Leave*

**Finding a substitute:** The capacity to take a temporary absence from the business for family or health reasons is not solely dependent on whether individuals have sufficient funds to carry them through this period. It was clear from our interviews that many self-employed women would not be able to take advantage of maternity and parental benefits without having a locum or substitute to manage the business while they were away, or keeping involved in the business on a part-time basis. While the latter issue was addressed in the previous recommendations, we did not identify any programs or services that addressed the former issue.

Associations that offer memberships to self-employed women could play a more active role in this regard in three ways.

- Have a temporary pool of replacement workers in their membership.

- Act as a referral to employment agencies specializing in their members' industries.
- Act as a source of information and business counselling for someone who is planning on hiring a locum (e.g., tax information, labour laws, transition planning).

### *Enhanced Child-Care Supports*

While this study did not examine the specific needs faced by self-employed women related to child care, it is an issue that came up spontaneously in many interviews, particularly with regards to the cost and availability of quality care.

17. It is recommended that additional efforts be made to develop a coherent national policy that assures all Canadian families access to affordable, high-quality child care.
  - Particular concerns related to infant care, after-school care and care for children with special needs should be part of that effort.
  - Consideration should be given to changing the Child Care Expense Deduction, both to support a national program of affordable child-care services and to develop child-care tax credits for low-income parents.
  - Further examination should be made of circumstances when child-care expenses could be treated as legitimate business expenses for self-employed parents.

### **Income Protection for Dependent Care Leave**

There are few labour law provisions that protect employees who need to take a leave of absence from their work to provide care for a disabled or critically ill family member, or that provide some degree of earnings replacement. The option to purchase this form of insurance privately is also unavailable to both employees and to the self-employed. As a consequence, several of our participants went into considerable debt to care for an ill child or parent. We examined the desirability and feasibility of three different policy options to address this gap in earnings protection: extending EI special benefits to include dependent care leave, a tax-sheltered plan and private insurance.

#### *Extending EI Special Benefits to Include Dependent Care Leave*

The provision of income support for individuals who need to care for a critically ill parent, spouse or child has come to the attention of policy makers in the federal government. In the 2002 Speech from the Throne (Canada 2002), it was announced that: **“The government will also modify existing programs to ensure that Canadians can provide compassionate care for a gravely ill or dying child, parent or spouse without putting their jobs or incomes at risk.”** While the specifics of how this will be accomplished were not identified, we believe the federal government should consider adding dependent care leave benefits as part of special benefits. This would ensure greater social protection to all working Canadians in the event their child, parent or spouse becomes critically ill than a private model would, and would potentially strengthen the appeal of extending special benefits provisions to self-employed Canadians who may not anticipate ever needing or using maternity or parental



benefits. Given the existing surplus in the EI fund, and the additional revenues that would come from limited premiums for special benefits protection from self-employed individuals and others in non-standard employment situations, we do not expect that broadening coverage for these circumstances will result in premium increases. Moreover, projections based on population trends indicate a growing number of employees will have significant elder-care, health-related, and family caregiving responsibilities. Modernizing EI special benefits to include these situations would be a positive, proactive initiative.

A high percentage of our self-employed respondents (77 percent) indicated it would be desirable to extend Employment Insurance coverage for these circumstances. Their major concern, however, was whether it could be effectively monitored to prevent the program from being abused and how eligibility for benefits would be determined.

The following steps are suggested to move our recommendations forward.

- The federal government should undertake focus groups with family caregivers of gravely ill children, parents or spouses to determine their need for additional support and preferred mechanisms for financial support.
- A working committee should examine the definitional status of dependent care, and criteria should be established to determine eligibility for financial support.
- An analysis of the pros, cons, feasibility, cost analysis and implications of extending special benefits to include dependent care benefits should be conducted.

### ***Tax-Sheltered Savings Plan***

Our findings with regards to the desirability of this option for dependent-care leave were similar to how our respondents felt about having this option available for maternity and sickness benefits. While self-employed women wanted this option to be available to them, there were many shortcomings that would limit access for those in low earning categories and those starting their businesses. The perceived advantages and disadvantages were the same as those discussed in the previous section related to maternity/parental and sickness coverage.

### ***Private Insurance***

Although self-employed women thought private companies should offer dependent care insurance, the majority of insurance representatives indicated it was not feasible to implement. Not only was it viewed as administratively challenging, because it is based on the health of a third party, but the cost of the premiums would likely be out of reach for most individuals. Moreover, it was viewed as being prone to abuse.

### **Enhancing Access to Affordable Long-Term Disability Insurance**

Most women we interviewed had not purchased a long-term disability insurance plan. The two primary barriers that prevented women from purchasing coverage were cost and

restrictive eligibility requirements. Other barriers included a lack of awareness about the kinds of insurance they should be purchasing and the lack of time to look for a plan that was affordable and met their needs. Previous studies (e.g., Delage 2002), and our own research, indicate self-employed individuals in lower earning categories are less likely to purchase private disability insurance.

Our interviews yielded a number of options to address these gaps. They include greater tax incentives, improvements in insurance products for own-account self-employed and learning from successful partnerships between associations and insurance providers. Moreover, during our research, we identified a number of other available options that may not be widely known to self-employed individuals, such as disability benefits through the Canada Pension Plan and provincial workers' compensation.

### ***Canada/Quebec Pension Plan***

Under the current Canada Pension Plan, self-employed individuals contribute to, and may also collect benefits from, the plan if they become permanently disabled. Under CPP rules, however, they are unable to work on a part-time capacity; otherwise they will be disqualified from collecting benefits. In a Status of Women Canada report by Doe and Kimpson (1999), it was recommended that policy changes be enacted to CPP to eliminate provisions that penalize individuals collecting disability benefits who wish to return to work on a part-time basis. We are in agreement with this suggestion, and see it as especially pertinent to self-employed women who require some involvement in the business in order for it to be sustainable.

18. We recommend the government enact legislative changes to CPP that would allow individuals with a disability to return to work on a part-time basis, without aggressively clawing back their income, and monitor the effects of these changes.

### ***Workers' Compensation***

Although workers' compensation is typically viewed as a program to protect the earnings of employees injured on the job, there is special optional insurance for own-account self-employed workers and business owners. Unfortunately, we learned this information late in the study and were not able to examine it more fully in terms of its availability in all provinces for low-income earners and home-based workers, and its use and the awareness of this option among self-employed individuals. We suspect this information is not widely known, given that none of our participants (self-employed women and other stakeholder groups) mentioned this as an option for earnings protection in the case of an accident while on the job.

19. We recommend that provincial workers' compensation boards examine ways of highlighting the availability of income protection for self-employed individuals for work-related injuries, and that associations and agencies that provide support to self-employed individuals make them more aware of these circumstances.

20. A study of the low earning self-employed should be conducted to examine issues related to the usage of workers' compensation for earnings protection in the event of accidental injury while on the job.

### ***Private Insurance***

Some self-employed women in our study and others felt insurance companies have not adequately investigated the needs of self-employed individuals and have not designed and marketed products that would appeal to own-account self-employed or those running small businesses with fewer than five employees. To address these perceptions and experiences, we encourage insurance providers to do the following.

- Survey the needs of small businesses owners, own-account self-employed and home-based workers.
- Develop specialized products tailored to these subgroups.
- Ensure their marketing and sales staff are well educated on products for self-employed individuals.
- Take a proactive approach in working with associations to educate, inform and provide access to group plans.

### ***Building Linkages between Associations***

Some self-employed women suggested associations need to play a more active role in securing group insurance for their members, yet there are a number of factors that make this prospect unappealing for insurance providers. Our interviews with representatives from the insurance industry indicated it was challenging to offer group plans to associations, because they cannot guarantee participation rates, their membership is too small and they do not have the infrastructure to collect premiums. It is also more difficult to verify the earnings and working conditions of applicants in an association, because there is no central administration (i.e., a human resources department).

To overcome these barriers, we think it is important to examine more closely situations in which successful negotiations occurred so they can be replicated with other associations.

21. Associations that have successfully negotiated disability plans with insurance providers should be profiled in a report to document challenges and to understand how the barriers can be successfully overcome. The information generated from this research should be relayed to other associations and insurance providers to encourage future collaborative efforts and successful negotiations.
22. Associations should consider building relationships with other associations to build a larger pool of workers for group insurance and collaborate on lobbying efforts for policy changes that serve the needs of self-employed women.

### ***Regulating Premium Increases and Tax Incentives***

The federal government should consider ways of improving access to private insurance for self-employed individuals, particularly those working on their own account and in low-income groups. This may entail regulating premium increases in private insurance, offering subsidies for low earning groups or offering a tax credit or deduction for disability insurance.

### **Enhancing Private Opportunities to Maintain Business Expenses While on Leave or for Business Slowdowns**

Based on our interviews with self-employed women, we believe the tax-sheltered savings plan has merits, but it is not the appropriate mechanism to provide personal income replacement. Rather, we see this as an appropriate policy option for helping self-employed individuals sustain and protect their businesses when there is a significant drop in earnings due to caregiving, health reasons or a downturn in the economy.

23. We recommend consideration be given to implementing a plan that would allow self-employed individuals to save a fixed percentage of their earnings ahead of time for deposit in a tax-sheltered plan. The money could be used only for overhead/business expenses during periods when they were experiencing cash flow difficulties because of maternity, sickness or other family circumstances, or certain other unusual situations that result in a significant drop in earnings. Any unused funds would be rolled into their RRSP at age 65.

Given the diversity of self-employment (e.g., own-account vs. employers, size of company, incorporation status), further consideration should be given to the conditions under which this option should be available and whether the availability of this option should be limited to certain subgroups (e.g., small businesses and those working own-account).

We recognize that those in low earning categories would not have the funds to contribute, but they are also less likely to be working in sectors that have considerable overhead expenses (e.g., day-care providers, cleaners and administrative assistants on contract). This policy option would encourage self-employed individuals to save in advance and also encourage more savings to be deposited for retirement. In terms of broader implications, the additional savings would give self-employed individuals a better chance of surviving during a recession and would reduce bankruptcy and maintain jobs for their employees.

### **Enhancing Access to Business Loans**

In reviewing existing programs and services, we noticed that while there was a proliferation of services, programs and financial assistance geared toward start-up companies, fewer services are oriented to the maintenance and sustainability of small businesses. The rise in bankruptcies among women generally and among those who are self-employed has been documented. In a report on business bankruptcy, Statistics Canada (Baldwin 1998) noted that seven of ten businesses fail, because of bad financial planning and the failure to raise sufficient capital. While it is important for the government to play a role in stimulating the

proliferation of new business start-ups, it needs to play an equal role in supporting the viability of those businesses, especially within the first five years, when such businesses are more likely to experience cash flow difficulties.

We believe the government's role should be focussed on servicing areas not currently looked after by the private sector. As discussed below, this role should entail assuring greater access to low-interest emergency micro-loans to help bridge uneven cash flow periods, expanding community lending programs that target women unable to secure funds through commercial banks or credit unions, subsidizing one-on-one business counselling services and providing greater tax incentives for new businesses (within the first five years). Each is described in more detail below.

### ***Role of Government***

24. Conduct an evaluation of community lending programs to examine the degree to which these programs are servicing their target population; identify regions in Canada and sub-populations of the self-employed that are underserved; assess awareness of programs among self-employed women and identify gaps in services.
25. Build stronger links between government programs and services (e.g., Canada Business Service Centres) and associations of self-employed women to ensure associations are able to relay information to their members about government-subsidized programs in a timely manner.
26. Implement an expanded graduated loans program for new immigrants and others with particular challenges in accessing traditional funding to provide small amounts of repayable loans to start a new business.

### ***Role of the Banking Industry***

About half the women we interviewed who approached a bank for a loan reported difficulties in securing the money or a line of credit. Although many women feel they are being discriminated against, because of their gender, prior research suggests lending decisions are primarily based on business-related factors. Self-employed women are at a disadvantage compared to self-employed men, because they are more likely to be in the service sector, to run their business from their homes, to earn less from their business and to be own-account. These factors are seen as less desirable from a traditional lending policy perspective.

27. To address these concerns, we recommend the banking industry undertake the following activities.
  - The Canadian Payments Association should conduct a review of national bank policies that lay out the criteria for lending decisions and consider remedial action that would remove barriers that result in a disproportionate number of loans being denied in the service sector.

- The transparency of banks' lending criteria and decision-making processes should be increased.
- Improve and develop trusting relationships between self-employed women and their bank representatives.
- Identify the behaviours of lenders and other factors that contribute to women's perception of being treated differently than men. This issue could be addressed through surveys or focus groups.

### **Enhancing Access to Training and Mentoring**

We found that accessing training when self-employed is costly due to the actual fees required to participate and the cost in time away from the business when having to forgo earning income to participate. Ongoing skill enhancement is a necessary and critical component of many jobs today and should be readily and more easily available to those in the self-employed sector.

28. Government subsidies (funded jointly by federal and provincial governments) should be available for self-employed individuals who want to upgrade their skills. These subsidies should be targeted to those with fewer financial resources to purchase courses (e.g., those in low earnings categories or those within the first three years of starting their business).
29. Banks and associations that offer mentoring programs should re-evaluate their eligibility criteria to ensure equal accessibility to those in lower earning categories.

### **Enhancing Access to Information**

Government programs and services, training programs and products offered by associations, banks and insurance providers are necessary, but not sufficient to address the needs of self-employed women. As a first step, there needs to be awareness among self-employed women that these services and programs exist. In our study, 86 percent of self-employed women indicated the knowledge of most self-employed women regarding private insurance plans is somewhat or very inadequate. While we did not specifically ask about their awareness of publicly available programs and services, the need for more information about government subsidies and programs was identified by several respondents during our Phase 1 interviews. To help bridge this gap in knowledge, we propose the following recommendations.

30. Information about alternative sources of funding should be posted on the Web pages of commercial banks and credit unions, and professional associations.
31. Banks should ensure their loans managers/financial advisors are kept up-to-date about government programs, services and loans programs so they can make appropriate referrals to alternative sources if they are unable to provide financial assistance.
32. Events should be sponsored and organized that facilitate the transfer of knowledge between different providers of services to self-employed women. These would include,

but not be limited to, financial institutions, insurance providers, associations and government.

33. The government should consider expanding its services offered through the Atlantic Canada Opportunities Agency and Women's Rural Economic Development and other such agencies in the following ways.
- Offer information about the different kinds of insurance available for self-employed individuals, both for personal income security and for the business.
  - Provide clients with a list of insurance providers in their area that offer individual insurance for different products.
  - Post a search engine on their Web site that allows self-employed individuals to make specific requests for insurance. The search categories could include type of insurance, type of industry and cost range.
  - Offer counselling services that educate and encourage self-employed individuals to consider planning for an interruption in their business as part of their business plan.

### **Concluding Statements**

Self-employed women play an integral part in the Canadian economy, not only in providing services and products and generating tax dollars, but in promoting employment for others. Although our recommendations were formulated with the interests and needs of self-employed women in mind, we believe implementation of these recommendations will benefit self-employed men as well.

We hope our findings and suggestions will stimulate more frequent communication between different organizations that serve self-employed women (both private and public), and result in a serious debate among policy makers regarding the possible separate administration of special Employment Insurance benefits and the extension of these forms of social protection to all working Canadians. We urge that this report be studied and its recommendations considered by the Prime Minister's Task Force on Women's Entrepreneurship and by relevant departments and committees.

**APPENDIX A: INTERVIEW SCHEDULE FOR PHASE 1  
SELF-EMPLOYED WOMEN IN PROFESSIONAL OCCUPATIONS OR BUSINESS  
OWNERS**

Hello, this is \_\_\_\_\_ calling on behalf of the Centre for Families, Work, and Well-being, at the University of Guelph. I would like to start by going over the aims and phases of this project. Our national study is examining the challenges that self-employed women experience, particularly in protecting their income and gaining access to sickness, disability and maternity benefits. One aim is to propose policy solutions that will help bridge the gap in income insurance coverage that exists between paid employees and self-employed workers. We are now in the first phase of the study, in which we are conducting interviews with self-employed women across Canada. In the second phase of the study, we will be interviewing other major stakeholders, such as government officials, banks and insurance companies. Our study is being carried out by two faculty members at the University of Guelph and is funded by Status of Women Canada. The study also has received approval by our university's ethics committee. The interview is expected to last no more than 45 minutes. You are free to skip any questions you do not wish to answer and to terminate the interview at any time. With your permission, I will be tape recording the session. This is strictly to check that my note taking is complete and accurate. After I have reviewed my notes and verified that the information I recorded is accurate, the tape will be rerecorded over. All information you provide to me during this interview will be kept confidential and anonymous. Selected quotes from interviews may be incorporated into the final report but no identifying information will be used.

Do I have your consent to continue with the interview? \_\_\_ Yes \_\_\_ No

Do you have any questions before we continue? \_\_\_ Yes \_\_\_ No

**Section 1**

There are five major sections in this interview. In the first section, I would like to start by asking some basic questions about your business.

1) What kind of business do you own, operate or practise?

2) Are you the sole owner/proprietor or do you have one or more partners?  
\_\_\_ Sole owner \_\_\_ Partner

3) What year did you start your business?

4a) Has the business operated continually since? \_\_\_ Yes \_\_\_ No

4b) (*If no*) What was the reason for the interruption in your business?

5) Do you have any employees? \_\_\_ Yes \_\_\_ No (*if yes*), how many? # on Contract



- 6) Do you contract your work predominantly for one company? \_\_\_ Yes \_\_\_ No
- 7) Is your business incorporated? \_\_\_ Yes (*go to 7a, then 7b*) \_\_\_ No (*go to 7c*)
- 7a) What are the benefits of having your business incorporated?
- 7b) What kinds of challenges did you experience in getting your business incorporated? (*go to 8*)
- 7c) Have you ever considered having your business incorporated? \_\_\_ Yes (*go to 7d*) \_\_\_ No (*go to 8*)
- 7d) And what was the reason(s) you didn't become incorporated?
- 8) How many hours a week on average do you work at your business?
- 9) Do you operate your business or practice out of your home? \_\_\_ Yes \_\_\_ No \_\_\_ Partially
- 10) Is this business your main source of personal income? \_\_\_ Yes \_\_\_ No
- 11) Do you have other paid work? \_\_\_ Yes \_\_\_ No (*if no, go to 16*)
- 12) Do you qualify for Employment Insurance through this employment? \_\_\_ Yes \_\_\_ No
- 13) What kind of work is it?
- 14) What is the main reason for having this other job? (*pause*) Are there any other reasons? (*read list*)
- \_\_\_ Supplement income
  - \_\_\_ Access to benefits
  - \_\_\_ Enjoy work
  - \_\_\_ Other
- 15) How many hours a week on average do you work in your other job?
- 16) What is your marital status? Are you? (*read list*)
- \_\_\_ Single, never married (*go to section 2*)
  - \_\_\_ Divorced/Separated/Widowed (*go to section 2*)
  - \_\_\_ Married/Common-law
- 17) Is your spouse self-employed as well? \_\_\_ Yes \_\_\_ No (*if no, go to 19*)
- 18) Is your spouse employed in the same business as yourself? \_\_\_ Yes \_\_\_ No (*go to section 2*)
- 19) Does your spouse have paid employment? \_\_\_ Yes \_\_\_ No

## Section 2

In section of the interview, I am going to ask you about your current accessibility to certain types of benefits and insurance.

Do you currently have coverage for ...*(see below)*

Policy	Coverage?		
Professional liability	<input type="checkbox"/> No What is the reason for not having coverage? <i>(read list)</i> <input type="checkbox"/> Cost/expensive <input type="checkbox"/> No need <input type="checkbox"/> Not thought about it <input type="checkbox"/> Not able to access/find <input type="checkbox"/> Other	<input type="checkbox"/> Unsure	<input type="checkbox"/> Yes Annual Cost _____  Is this part of a larger package? <input type="checkbox"/> Yes <input type="checkbox"/> No
<i>(Skip if business is not home-based)</i> Business-related home-owners' insurance	<input type="checkbox"/> No What is the reason for not having coverage? <i>(read list)</i> <input type="checkbox"/> Cost/expensive <input type="checkbox"/> No need <input type="checkbox"/> Not thought about it <input type="checkbox"/> Not able to access/find <input type="checkbox"/> Other	<input type="checkbox"/> Unsure	<input type="checkbox"/> Yes What does it cover? Annual cost _____  Is this part of a larger package? <input type="checkbox"/> Yes <input type="checkbox"/> No
Any other business insurance	<input type="checkbox"/> No What is the reason for not having coverage? <i>(read list)</i> <input type="checkbox"/> Cost/expensive <input type="checkbox"/> No need <input type="checkbox"/> Not thought about it <input type="checkbox"/> Not able to access/find <input type="checkbox"/> Other	<input type="checkbox"/> Unsure	<input type="checkbox"/> Yes What does it cover? Annual cost _____  Is this part of a larger package? <input type="checkbox"/> Yes <input type="checkbox"/> No
Disability benefits <input type="checkbox"/> Short term <input type="checkbox"/> Long term (more than a year)	<input type="checkbox"/> No What is the reason for not having coverage? <i>(read list)</i> <input type="checkbox"/> Cost/expensive <input type="checkbox"/> No need <input type="checkbox"/> Not thought about it <input type="checkbox"/> Not able to access/ find <input type="checkbox"/> Other	<input type="checkbox"/> Unsure	<input type="checkbox"/> Yes Source of coverage <input type="checkbox"/> Partner's plan <input type="checkbox"/> Group (self-purchased) <input type="checkbox"/> Individual (self-purchased) <input type="checkbox"/> Other  Annual cost _____  Is this part of a larger package? <input type="checkbox"/> Yes <input type="checkbox"/> No

Extended medical (drug, dental)	<input type="checkbox"/> No What is the reason for not having coverage? ( <i>read list</i> ) <input type="checkbox"/> Cost/expensive <input type="checkbox"/> No need <input type="checkbox"/> Not thought about it <input type="checkbox"/> Not able to access/find <input type="checkbox"/> Other	<input type="checkbox"/> Unsure	<input type="checkbox"/> Yes Source of coverage <input type="checkbox"/> Partner's plan <input type="checkbox"/> Group (self-purchased) <input type="checkbox"/> Individual (self-purchased) <input type="checkbox"/> Other  Annual cost _____ Covers: <input type="checkbox"/> Family <input type="checkbox"/> Individual  Is this part of a larger package? <input type="checkbox"/> Yes <input type="checkbox"/> No
Life insurance	<input type="checkbox"/> No What is the reason for not having coverage? ( <i>read list</i> ) <input type="checkbox"/> Cost/expensive <input type="checkbox"/> No need <input type="checkbox"/> Not thought about it <input type="checkbox"/> Not able to access/find <input type="checkbox"/> Other	<input type="checkbox"/> Unsure	<input type="checkbox"/> Yes Source of coverage <input type="checkbox"/> Partner's plan <input type="checkbox"/> Group (self-purchased) <input type="checkbox"/> Individual (self-purchased) <input type="checkbox"/> Other <input type="checkbox"/> Through mortgage  Annual cost _____  Is this part of a larger package? <input type="checkbox"/> Yes <input type="checkbox"/> No

20a) (*If yes to any benefits*) Did you experience any difficulties in your efforts to obtain coverage for any of the above-mentioned benefits?  Yes  No

20b) (*If yes*) What kinds of difficulties did you experience?

21) Do you have any other kind of insurance that might cover you if you were unable to work that I haven't already asked you about?  Yes, type \_\_\_\_\_  No

22a) (*If participant has employees*) Do you provide any of the following to your employees?

- Long-term disability
- Short-term disability
- Extended health or drug plan
- RRSP or pension
- Maternity top-ups
- Life insurance

22b) (*If no to all*) Do you perceive any barriers to obtaining coverage for your employees?  
 Yes  No

22c) (*If yes*) What kind?

22d) (*If yes to any*) Did you experience any difficulties in obtaining coverage for your employees? \_\_\_ Yes \_\_\_ No

22e) (*If yes*) What kind?

22f) (*If yes to any of the above benefits*) Have you investigated whether you could be covered under the insurance policies you provide to your employees? \_\_\_ Yes \_\_\_ No \_\_\_ N/A

23) As I mentioned previously, in the second phase of this study, we will be identifying and interviewing key stakeholders, such as insurance companies to develop policy solutions that will enable self-employed women to have more income security and enhanced benefits. Would you be willing to provide the name of your current insurance provider as a possible key stakeholder? \_\_\_ Yes \_\_\_ No \_\_\_\_\_ Name

### Section 3

I'm now going to ask you about your experience in taking certain types of leave from employment and the challenges you experienced. The first kind of leave I am going to ask you about is maternity/parental leave.

24) Do you have any children? \_\_\_ Yes \_\_\_ No (*if no, skip to question 50*)

25) Number of children \_\_\_

26) Ages of children \_\_\_\_\_

27) When you had gave birth or adopted your *youngest* child, were you:  
\_\_\_ Self-employed \_\_\_ Paid employee \_\_\_ Both \_\_\_ Not employed \_\_\_ Other

28) (*If working*) Did you take time off work? \_\_\_ Yes \_\_\_ No  
Number of weeks taken full-time leave \_\_\_  
Number of weeks part-time leave \_\_\_

29) Did you receive EI maternity or parental benefits? \_\_\_ Yes \_\_\_ No \_\_\_ Don't know

30) (*If paid employee*) Did you receive maternity top-ups? \_\_\_ Yes \_\_\_ No

31) When you gave birth or adopted your next child, were you:  
\_\_\_ Self-employed \_\_\_ Paid employee \_\_\_ Both \_\_\_ Not employed \_\_\_ Other

32) (*If working*) Did you take time off work? \_\_\_ Yes \_\_\_ No  
Number of weeks taken full-time leave \_\_\_  
Number of weeks part-time leave \_\_\_

33) Did you receive EI maternity or parental benefits? \_\_\_ Yes \_\_\_ No \_\_\_ Don't know

34) (*If paid employee*) Did you receive maternity top-ups? \_\_\_ Yes \_\_\_ No

- 35) For the birth/adoption of your third child, were you:  
 Self-employed  Paid employee  Both  Not employed  Other
- 36) (*If working*) Did you take time off work?  Yes  No  
 Number of weeks taken full-time leave   
 Number of weeks part-time leave
- 37) Did you receive EI maternity or parental benefits?  Yes  No  Don't know
- 38) (*If paid employee*) Did you receive maternity top-ups?  Yes  No
- 39) (*Only if woman had children while self-employed*) After the birth or adoption of any of your children, did your spouse or partner take time off work or was otherwise available?  
 Yes  No
- 40) (*Only if woman had children while self-employed*) During the time you were self-employed, what kinds of business difficulties did you experience while taking maternity leave? (*Probe on-effects on business, workload, replacement costs, workload of employees; payroll issues, signing cheques, etc.*)
- 41) How easy or difficult was it for you to make ends meet during the time you took maternity leave? (*read list*) Would you say...  
 Very easy  
 Somewhat easy  
 Neither easy nor difficult  
 Somewhat difficult  
 Very difficult  
 Don't know
- 42) In which of the following ways did you cover lost income during the time you were on leave? (*read list*) Did you  
 Withdraw RRSPs  
 Rely on personal savings  
 Draw salary from your business  
 Engage in other paid work  
 Collect Employment Insurance from other paid work  
 Rely on partner's income  
 Use credit cards more than usual  
 Took a bank loan or line of credit  
 Took out a second mortgage  
 Borrowed money from family or friends  
 Cut back on expenses  
 Use social services  
 Other

43) What did you do while you were on leave to maintain your business? (*pause, read list*)

Did you...

- Hire a replacement
- Delegate work to partner or co-worker
- Complete/wrap up deals with clients
- Maintain service on a part-time basis
- Other

44) If you had been able to receive maternity benefits (max. \$413 wk), would you have taken a leave for a longer period of time?  Yes  No  Depends

45) (*If yes*) How much time would you have preferred to take?

46) For your youngest child, what child-care arrangements did you have when you returned to work?

47) Approximately how much did you spend on child care for all your children last year?

48) Did you use the child-care deduction?  Yes  No  Don't know

49) Did the child-care deduction cover all your child-care expenses?  Yes  No  Don't know

50) How interested would you be for yourself, in having access to EI maternity and parental benefits? (*read list*)

- Very interested
- Moderately interested
- Not very interested
- Not interested at all

51) How important do you think it is that maternity and parental benefits be extended to all self-employed individuals?

- Very important
- Moderately important
- Not very important
- Not at all important

Next, I am going to ask you about sickness and family-related leave.

52) Since the time you started your current business, have you ever taken extended time off work, greater than two weeks, for any of the following reasons? \_\_\_ Yes \_\_\_ No (*if no, go to 60*)

- Own major illness or health condition
- Child's health condition
- Spouses or partners' health condition
- Other relative's health condition
- Elder-care responsibilities
- Death of loved one
- Other

53) What was the longest period of time you took away from your business for any of these reasons?

54) What kinds of business difficulties did you experience while taking the leave (*probe effects on business, workload, replacement costs, workload of employees, etc.*)?

55) How easy or difficult was it for you to make ends meet during the time you took your leave? (*read list*) Would you say...

- Very easy
- Somewhat easy
- Neither easy nor difficult
- Somewhat difficult
- Very difficult
- Don't know

56) In which of the following ways did you cover lost income during the time you were on leave? (*read list*) Did you...

- Withdraw RRSPs
- Rely on personal savings
- Draw salary from your business
- Engage in other paid work
- Collect Employment Insurance from other paid work
- Rely on partner's income
- Use credit cards more than usual
- Took a bank loan or line of credit
- Took out a second mortgage
- Borrowed money from family or friends
- Cut back on expenses
- Use social services
- Other

57) What did you do while you were on leave to maintain your business? (*pause, read list*)

Did you...

- Hire a replacement
- Delegate work to partner or co-worker
- Complete or wrap up deals
- Maintain client service on a part-time basis
- Other

58) Have you ever needed to take extended time off work for health or family-related reasons, but felt you were not able to?  Yes  No

59) (*If yes*) What prevented you from taking the time off that you felt you needed?

60) The EI program also provides 15 weeks of sickness benefits if an employee is injured or too sick to work. How interested would you be for yourself in having access to sickness benefits?

- Very interested
- Moderately interested
- Not very interested
- Not interested at all

61) How important do you think it is to have sickness benefits, as administered by the EI program, extended to all self-employed individuals?

- Very important
- Moderately important
- Not very important
- Not important at all

62) The EI program is mandatory for all employees. Should a benefit program for self-employed people be voluntary or mandatory? That is, should it cover all self-employed workers or only those who choose to participate?

- Voluntary
- Mandatory (*go to 64*)
- Don't know (*go to 64*)

63) Given that the pool of contributors would be smaller, a voluntary program is likely to be more expensive for participating individuals than a mandatory one. Knowing this, do you think the program should be voluntary?

- Yes  No  Depends

64) Do you have any other suggestions that would allow self-employed individuals to access benefits, such as sickness and maternity?  Yes  No



## Section 4

I am now going to ask you questions that relate to your income security.

65) Have you ever taken a loan to finance your business? \_\_\_ Yes \_\_\_ No

66) (*If yes*) Have you ever experienced difficulties in obtaining access to credit and financing for your business? \_\_\_ Yes \_\_\_ No (*If yes, ask for examples*)

67) Did you purchase a home while you were self-employed? \_\_\_ Yes \_\_\_ No (*if no, go to 69*)

68a) Do you think your self-employed status affected your ability to obtain a home mortgage? \_\_\_ Yes \_\_\_ No \_\_\_ Not applicable

68b) (*If yes*) In what way?

69) While self-employed, have you experienced a time when you felt your business was in jeopardy (e.g., general downturn in economy, loss of clients) that affected the viability of your business? \_\_\_ Yes \_\_\_ No (*if no, go to 71*)

70) What financial resources did you rely on to see you through this time? (*list*) Did you...

- \_\_\_ Withdraw from RRSPs
- \_\_\_ Rely on personal savings
- \_\_\_ Draw salary from business
- \_\_\_ Engage in other paid work
- \_\_\_ Collect Employment Insurance from other paid work
- \_\_\_ Rely on partner's income
- \_\_\_ Use credit cards more than usual
- \_\_\_ Took a bank loan or line of credit
- \_\_\_ Took out second mortgage on home
- \_\_\_ Borrowed money from family
- \_\_\_ Cut back on expenses
- \_\_\_ Social services
- \_\_\_ Other

71) Can you describe any financial resources you currently have to protect your income in the event of an unexpected absence from employment or financial misfortune?

- \_\_\_ RRSPs
- \_\_\_ Personal savings
- \_\_\_ Partner's income
- \_\_\_ Line of credit/loan
- \_\_\_ Insurance
- \_\_\_ Incorporation status
- \_\_\_ Other

72) What sources of income do you plan to rely on when you retire? (*read list*)

- RRSP
- Employer pension (indicate source)
- Investments
- Spouse's pension
- Sale of business
- CPP
- Inheritance
- Other sources

73) How concerned are you about having a sufficient income when you retire?

- Very concerned
- Somewhat concerned
- Not concerned

### Section 5

I'm going to ask you about your membership in organizations that offer services to self-employed women.

74a) Do you belong to any business networks, organizations or professional associations?

- Yes  No

74b) (*If yes*) Which ones?

75) Have any of these been helpful to you in the following ways?

- Offer group insurance plans you can buy into (*indicate name*)
- Provides information about incorporating your business
- Tips for business management
- Networking
- Professional development opportunities
- Other

76a) At the time you were starting your business, did you obtain any kind of information or advice from a credit union, bank, insurance company or government agency that was particularly helpful to you?  Yes  No

76b) (*If yes*) Specify info and name of organization/company.

77) What kind of information and/or service, if any, were you not able to access that would have been particularly helpful to you?  None

78) Did you access Employment Insurance to start up your own business?  Yes  No

79a) As a self-employed individual, are there any other services or benefits not mentioned in this interview you are not receiving now but would like access to?  Yes  No

79b) (If yes) Specify.

I have a few last questions for statistical purposes. I would like to remind you that your answers are confidential.

80) What province do you live in?

81) In what year were you born?

82) What is the highest level of education you have completed?

- Some public or high school
- Completed high school
- Some college or CEGEP
- Completed college or CEGEP
- Some university
- Completed university
- Graduate or professional degree
- Post-graduate

83a) Were you born in Canada  Yes (go to 84)  No

83b) What country were you born?

83c) In what year did you come to Canada?

84) Are you Aboriginal, that is North American Indian, Métis or Inuit?  Yes  No

85) In your last business year, was your personal income from your business before taxes and deductions (gross income)...

- Under \$10,000
- \$10,000 - \$20,000
- \$20,001 - \$30,000
- \$30,001 - \$40,000
- \$40,001 - \$50,000
- \$50,001 - \$60,000
- \$60,001 - \$70,000
- \$70,001 - \$90,000
- Above \$90,000

86) And after deductions and taxes (Net income)?

- Under \$10,000
- \$10,000 - \$20,000
- \$20,001 - \$30,000
- \$30,001 - \$40,000
- \$40,001 - \$50,000
- \$50,001 - \$60,000
- \$60,001 - \$70,000
- \$70,001 - \$90,000
- Above \$90,000

87) In the year 2000, what was your total household income, before taxes and deductions?  
(Your household income includes members of your family who are living with you.)

- Under \$10,000
- \$10,000 - \$20,000
- \$20,001 - \$30,000
- \$30,001 - \$40,000
- \$40,001 - \$50,000
- \$50,001 - \$60,000
- \$60,001 - \$70,000
- \$70,001 - \$90,000
- Above \$90,000

88) How did you become aware of this study?

89) Are there any other self-employed women you know who you think would be interested in participating in this study?  Yes  No

90) Would you be willing to provide a name and contact information so I can contact them?

91a) Are there any other questions that I didn't ask that you thought I should ask today?  
 Yes  No

91b) (*If yes*) Please elaborate.

92) Is there anything else you would like to add before we end other the interview?  
 Yes  No (*if yes, elaborate*)

93) Thank you so much for your time in completing this interview. We expect to have the results of this study summarized by the fall of 2002. We will be posting our summary report on our Web site. Would you like us to notify you when we have completed the final report?  
 Yes  No

## **APPENDIX B: INTERVIEW SCHEDULE FOR PHASE 2 SELF-EMPLOYED WOMEN**

Hello, this is \_\_\_\_\_ calling from the Centre for Families, Work, and Well-being, at the University of Guelph. Before we begin the interview, I'm going to give you some background information on our study and give you an opportunity to ask any questions you may have.

Did you read the information sheet I sent you? \_\_\_ Yes \_\_\_ No (*If no, suggest to call her back in 5 minutes and give her an opportunity to read the informational sheet.*)

This research is being carried out by faculty at the University of Guelph, is funded by Status of Women Canada and has received approval by our university's ethics committee. With your permission, I will be tape recording this call so I can check on whether I have recorded your answers accurately. Everything we talk about today will be kept confidential and anonymous. The final report will be based on summary statistics. Selected quotes from the interviews may be inserted into the final report, but no identifying information will be used. You are free to skip any questions you do not wish to answer and to end the interview at any time.

Do I have your permission to continue with the interview? \_\_\_ Yes \_\_\_ No

Do you have any questions before we continue? \_\_\_ Yes \_\_\_ No

### **Section 1**

1) What kind of business do you own or operate?

2) Are you self-employed? \_\_\_ Yes \_\_\_ No

3) Do you personally pay Employment Insurance premiums related to your work?  
\_\_\_ Yes \_\_\_ No (*If yes, PROBE to make sure they have understood the question and probe as to why. Explain that we are interested in interviewing self-employed women who are currently excluded from EI benefits, thank them for their time and end the interview.*)

4) In what year did you start your current business?

5) Do you have any employees? \_\_\_ Yes \_\_\_ No (*If yes*), how many?

6) Is your business incorporated? \_\_\_ Yes \_\_\_ No

7) Do you primarily work from your home? \_\_\_ Yes \_\_\_ No

Before we continue, I would like to emphasize that your role as a participant in this study is to speak on behalf of self-employed women more generally, rather than comment based on

what would best serve your particular needs. In some cases, it may be too difficult to comment more broadly on what you think would best serve all self-employed women, so I will ask you to comment based on what you know of self-employed women in similar types of businesses as yourself.

8) In our first round of preliminary interviews, we asked women to comment on the challenges they experienced when taking a leave from their business due to an illness or maternity leave. I'm going to list four of the most common challenges mentioned and then ask you to comment on what you think is the top one that self-employed women face.

Four commonly mentioned challenges included:

- loss of income;
- finding a replacement to run or manage the business;
- losing clients; and
- loss of visibility in the market.

What would you say is the top challenge that self-employed women in your line of business face in terms of taking a leave from their business in the case of sickness or maternity leave?

9) Next, I'm going to list a number of benefits and then ask you to indicate which of these you think is the most important one to have access to as a self-employed person. These benefits include maternity or parental (*pause*), income coverage for short-term sickness leave, coverage for long-term sickness or disability (*pause*), or income coverage when a family member is critically ill (*pause*). What would you say it the most important benefit to have access to as a self-employed person? (*pause*) (*interviewer to indicate #1 beside selected option below*)

Which would you rate as the second most important? (*indicate #2 beside selected option below*)

Which of these would you rate as the third most important? (*indicate #3 beside selected option below*)

- \_\_\_ Maternity or parental benefits
- \_\_\_ Short-term benefits for personal illness, injury or surgery (from 2 to 15 weeks)
- \_\_\_ Long-term benefits for personal illness or injury (more than 15 weeks)
- \_\_\_ Family-related benefits
- \_\_\_ Is there another benefit that I haven't mentioned that you think self-employed people should have access to? (*please specify*)

In the next section of the interview I am going to ask you to comment on different policy options. The first kind of option I want you to comment on is a government-regulated model, similar to the one that currently exists for employees. As indicated in the information sheet we sent you, under the current Employment Insurance program, employees have a

certain percentage of their income deducted and pooled into the EI fund. If an employee qualifies, he or she may access maternity and parental benefits, short-term sickness benefits up to 15 weeks, and unemployment benefits because of job loss. Long-term disability benefits are not included under this plan and family-related leave benefits are also not provided under this plan. If a similar plan was set up for self-employed people, they would be taxed a certain percentage of their income thereby contributing to a self-employment fund and benefits could be accessed for various kinds of leave.

10) How important do you think it is that this kind of plan be set up for self-employed people? Would you say...

1	2	3	4
Very important	Important	Somewhat not important	Not at all important

11) What kinds of concerns, if any, do you have regarding this policy option?

*(The next question applies to only those indicating 1, 2 or 3 of previous question.)*

12) Which of the following benefits, if any, do you think would be desirable to have included under such a plan? Do you think that maternity benefits should be included? ...What about parental? *(read list and check off appropriate boxes)*

Maternity benefits

Parental benefits — this covers both biological and adoptive mothers and fathers

Short-term sickness benefits — this covers people who are ill or injured for a period of between 2 and 15 weeks

Long-term disability benefits — this would be long-term coverage for individuals who are unable to work because of an accident or illness

Family-related leave benefits — this would cover people who are unable to work, because an immediate family member has a critical illness

Any other that I haven't already mentioned? *(please specify)*

OR

None (i.e., I don't believe there should be a government regulated program for self-employed persons)

13) Do you have any comments in regards to why you did or didn't choose certain benefits for inclusion under a government-regulated plan for the self-employed?  Yes *(describe below)*  No

14) Under the current EI program, if an employee qualifies, they receive 55 percent of their earnings up to \$413 a week through the EI program. If a government program was set up for the self-employed, do you think the way that benefits are calculated should be the same as it is for employees?  Yes  No *(if no)* What are some of the reasons why you think it should be different for the self-employed?

15) For self-employed women in your line of business, how adequate would you rate this amount of income replacement (i.e., 55 percent of earnings up to \$413 a week) to keep their business afloat during a leave? Would you say...

1	2	3	4
Very adequate	Adequate	Somewhat inadequate	Very inadequate

16) Under the current EI program, employees contribute about two percent of their earnings and their employer pays about three percent of employees' earnings to the EI fund up to a maximum of about \$850 a year. Under very specific circumstances, certain self-employed persons may access Employment Insurance; however, they would have needed to have been paying both the employee and the employer contributions, which is about five percent of their personal net earnings.

If an EI program was set up for the self-employed, do you think they should pay only

- The employee contribution (about two percent)  
 The employer contribution (about three percent) OR  
 Both the employee and the employer contribution? (about five percent) OR  
 Do you have an alternate suggestion? \_\_\_\_\_

17) How feasible would it be for most self-employed individuals in your line of business to contribute four to five percent of their net earnings to participate in a government insurance program? Would you say...

1	2	3	4
Very feasible	Possibly feasible	Not very feasible	Definitely not feasible

*(If answered 1 or 2, skip next question.)*

18) How feasible would it be for most self-employed individuals in your line of business to contribute two to three percent of their net earnings to participate in a government insurance program?

1	2	3	4
Very feasible	Possibly feasible	Not very feasible	Definitely not feasible

19) If a government-regulated plan were created that allowed access to maternity and parental benefits for self-employed people, how desirable do you think it would be for them to be allowed to work part time and make a certain amount of earnings while on leave? Would you say...

1	2	3	4
Very desirable	Desirable	Not very desirable	Very undesirable

*(If answered 3 or 4, probe as to reasons why.)*



20) Under the current EI program, employees may work part time while on EI parental benefits; however, they can only earn a maximum of \$100 a week, before their benefits are reduced.

Doctors in Ontario, through a different agreement than EI, can earn up to \$1,000 a week while on maternity leave before their benefits are reduced. In the case of doctors, this allows them to earn money to offset business expenses and maintain their practice while still reducing their workload.

If an EI program was set up for the self-employed, do you think the same criteria used for employees should be applied, that is \$100 a week or do you think the maximum allowable earnings should be different?

Same

Different. If different, what would you suggest as the maximum amount of net earnings self-employed people should be able to make before their benefits are reduced?

21a) If a female employee qualifies for maternity benefits, she may receive up to 15 weeks of maternity leave benefits plus 35 weeks for parental leave benefits, which adds up to about a year of benefits. From a business perspective, how feasible is it for self-employed women in your line of work to take 12 months away from their business?

1	2	3	4
Very feasible	Possibly feasible	Not very feasible	Definitely not feasible

21b) Do you have a suggestion for a more appropriate length of benefit coverage?

Yes  No

21c) If yes, what duration would you suggest as more appropriate?

22) Rather than receiving payments for a up to a year, would it be preferable to reduce the duration of coverage to less than a year and have a higher percentage of benefits paid out?

Yes  No  Don't know

23a) Under the current EI program, eligibility for EI is based on the number of hours worked. Under a special regulation, eligibility for fishers and farmers is based on the minimum amount of earnings rather than the number of hours worked. Which of these criteria do you think would be appropriate for self-employed persons?

Either ...

A minimum of hours worked in the business in the previous 52 weeks OR

A minimum amount of net earnings in the previous 52 weeks? OR

Other (please specify) \_\_\_\_\_

23b) What are your reasons for selecting...?

24) If the eligibility for EI was based on a minimum amount of earnings over a certain period of time, how desirable would it be to have a sliding scale so the minimum amount of earnings needed to qualify would be lower for self-employed workers in low earnings occupations? Would you say...

1	2	3	4
Very desirable	Desirable	Not very desirable	Very undesirable

25a) The current Employment Insurance program is mandatory for all employees. That is, all employees must contribute to the plan. In terms of what you think would be preferable for self-employed persons, do you think it should be mandatory or voluntary?

Voluntary  
 Mandatory  
 Don't know

25b) Why you think the program should be...?

*(If voluntary, ask 26; if not, go to 27.)*

26) Given that the pool of contributors would be smaller, a voluntary program is likely to be more expensive for participating individuals than a mandatory one. Knowing this, do you think the program should be voluntary?

Yes  
 No  
 Depends

27) Next I am going to list some of the challenges that were mentioned in our first round of interviews in terms of implementing and administering a government-regulated program for self-employed workers that would cover maternity, parental and sickness benefits. I'm going to ask you whether each item is a concern to you and then ask you to rank the concerns you have indicated (*refer her to Q1 in handout*).

Yes  No Cost of personal contributions to the plan would be too high (1)  
 Yes  No Not wanting government involvement (2)  
 Yes  No Difficulties in administering the program (3)  
 Yes  No Scepticism in how the existing EI program is currently run (4)  
 Yes  No Benefits received would not be enough to offset business costs (5)  
 Yes  No Fear that applying for benefits would involve too much red tape (6)  
 Yes  No Because of tax write-offs, one's net income is too low to base the benefits on (7)

28) Do you have any other concerns not previously mentioned?

29) Out of the concerns you indicated (*interviewer should repeat only those items indicated with a yes*), what is your top concern?

\_\_\_ (*indicate number*)

\_\_\_ Next concern?

\_\_\_ Third concern?

## Section 2

In this section, I will be asking you to comment on another option that would enable self-employed persons to have coverage for various types of leave by purchasing private insurance.

30) I'd first like to ask you to what degree you feel self-employed women in your line of work have adequate information on insurance coverage plans for business interruptions due to personal illness or accidents?

1	2	3	4
Very adequate	Adequate	Somewhat inadequate	Very inadequate

31) Do you think most self-employed women in your line of work are aware they can claim premiums paid for medical insurance as a tax deduction?

\_\_\_ Yes

\_\_\_ No

32) Do you think self-employed women would be more likely to purchase insurance for disability if they could deduct premiums on their income tax?

\_\_\_ Yes

\_\_\_ No

33) In terms of what would be desirable for people who are self-employed, what kinds of benefit coverage, if any, do you think should be offered under privately purchased insurance plans? (*read list*)

\_\_\_ Maternity benefits (covers only mothers)

\_\_\_ Parental benefits (covers biological and adoptive mothers and fathers)

\_\_\_ Short-term sickness benefits (covers individuals who are ill or injured for a period of between 2 and 15 weeks)

\_\_\_ Long-term disability benefits (long-term coverage for individuals who are unable to work, because of an accident or illness)

\_\_\_ Family-related leave benefits (coverage for individuals who are unable to work, because an immediate family member has a critical illness)

\_\_\_ Any other benefits I haven't previously mentioned? OR

\_\_\_ None of the above

34) Do you have any comments in regards to why you did or didn't chose certain benefits for inclusion under private insurance plans?

\_\_\_ Yes (*If yes, describe below.*)

\_\_\_ No

35) To what extent would it be desirable for self-employed persons to be able to purchase a flexible benefit package from a private insurance plan, making monthly payments and being eligible for benefits that would cover more than one type of leave from their business?

1	2	3	4
Very desirable	Desirable	Not very desirable	Very undesirable

(*If 3 or 4*) why would it not be desirable?

36) While the duration of time to collect disability benefits varies depending on the type of plan purchased, claimants can typically expect to wait at least 17 weeks after making a claim to collect long-term disability benefits.

Assuming a 17-week waiting period, how feasible would you say it is for self-employed women to cover both their personal and business operating costs during this waiting period?

1	2	3	4
Very feasible	Possibly feasible	Not very feasible	Definitely not feasible

37) While rates vary from individual to individual, depending on their situation and needs, typical costs for disability insurance range from \$83 to \$125 a month.

How feasible do you think it is for self-employed women in your line of work in general to pay approximately \$100 a month for disability insurance?

1	2	3	4
Very feasible	Possibly feasible	Not very feasible	Definitely not feasible

38) How feasible would it be for you to pay approximately \$100 a month for disability insurance?

1	2	3	4
Very feasible	Possibly feasible	Not very feasible	Definitely not feasible

39) Based on our preliminary interviews, there were several challenges in private insurance companies offering and administering short- and long-term sickness and disability insurance. I'm going to ask you whether each item is a concern to you and then ask you to rank the concerns you have indicated. (*read list*) (*refer to Q2 in participant's handout*)

- Yes  No    Cost to purchase insurance is too high (1)  
 Yes  No    Lack of trust in insurance companies (2)  
 Yes  No    Current benefit packages don't meet needs (3)  
 Yes  No    Previous bad experience with insurance company (4)  
 Yes  No    Payout not enough to offset business expenses (5)  
 Yes  No    Concern about eligibility requirements (6)  
 Yes  No    Waiting period to claim benefits is too long (7)

40) Do you have any other concerns not previously mentioned?

41) Out of the concerns you indicated (*interviewer should repeat only those items indicated with a yes*), what is your top concern?

- (*indicate number*)  
 Next concern?  
 Third concern?

### Section 3

I will now ask you to comment on a plan that would allow you to draw from savings, such as RRSPs, without tax penalties for various kinds of leave.

In this kind of plan, self-employed persons could contribute to a savings plan that is a tax shelter (similar to RRSP contributions) and it would allow them to withdraw the funds for various kinds of leave. The money withdrawn would not be taxed, as long as the money is eventually repaid back into the plan over a 10-to-15 year period. This is similar to a first-time homebuyers' plan.

42a) How important do you think it is that this kind of plan be set up for self-employed people? Would you say...

- |                |           |                        |                      |
|----------------|-----------|------------------------|----------------------|
| 1              | 2         | 3                      | 4                    |
| Very important | Important | Somewhat not important | Not at all important |

42b) In terms of what you think would be desirable for self-employed persons in general, what kinds of benefits, if any, do you think should be included under such a plan? Please check all that apply.

- Maternity benefits
- Parental benefits
- Short-term sickness benefits
- Long-term disability benefits
- Family-related leave benefits
- Other OR
- None of the above

43) Do you have any comments in regards to why you did or didn't choose certain benefits for inclusion under this plan?

- Yes (*describe below*)
- No

44) The following list describes some of the concerns in administering benefits through this kind of plan. I'm going to ask you whether each item is a concern to you and then ask you to rank the concerns you have indicated. (*read list*) (*refer to Q3 in participant's handout*)

- Yes  No Self-employed persons in low earnings categories may not have the funds to contribute (1)
- Yes  No Money withdrawn reduces retirement savings (2)
- Yes  No Concerns about administration of the program (3)
- Yes  No Concerns that applying for benefits would involve too much red tape (4)

45) Do you have any other concerns not previously mentioned?

46) Out of the concerns you indicated (*interviewer should repeat only those items indicated with a yes*), what is your top concern?

- (*indicate number*)
- Next concern?
- Third concern?

Now that you have had a chance to think about the various policy options, I'm going to ask you to rank your preferences for each of the models in terms of what you think would be most desirable for self-employed workers. (*refer to Q4 in handout*)

47) For maternity or parental benefits please rank in order from 1 to 6, 1 being the most preferred option for self-employed workers

- Mandatory government regulated plan
- Voluntary government regulated plan
- Private insurance plan
- RRSP
- No plan/status quo
- Other (please describe)

48) For short-term sickness benefits, that is coverage for between 2 to 15 weeks, please rank in order from 1 to 6, 1 being the most preferred option for self-employed workers

- Mandatory government-regulated plan
- Voluntary government-regulated plan
- Private insurance plan
- RRSP
- No plan/status quo
- Other (please describe)

49) For disability benefits, that is coverage for more than 15 weeks, please rank in order from 1 to 5, 1 being the most preferred option for self-employed workers

- Mandatory government-regulated plan
- Voluntary government-regulated plan
- Private insurance plan
- RRSP
- Other (please describe)

50) For family-related benefits, please rank in order from 1 to 6, 1 being the most preferred option for self-employed workers

- Mandatory government-regulated plan
- Voluntary government-regulated plan
- Private insurance plan
- RRSP
- No plan/status quo
- Other (please describe)

#### **Section 4**

In the last section of the interview, I will be asking you questions that will help in describing our sample. I would like to remind you that your answers are confidential.

51) What province do you live in?

52) In what year were you born?

53) What is your marital status? Are you? (*read list*)

- Single, never married
- Divorced/Separated/Widowed
- Married/Common-law

54) Do you have any children?  Yes  No

55) (*if yes*) How old are they starting from the youngest to the oldest?

56) What is the highest level of education that you have completed?

- Some public or high school
- Completed high school
- Some college or CEGEP
- Completed college or CEGEP
- Some university
- Completed university
- Graduate or professional degree
- Post-graduate

57) Were you born in Canada?  Yes  No

If not, where were you born? \_\_\_\_\_

58) What year did you come to Canada?

59) Are you Aboriginal, that is North American Indian, Métis or Inuit?  Yes  No

60) One of our goals is to include women who are visible minorities. Does this apply to you?  Yes  No

61) In your last business year, in what range was your personal income from your business before taxes and deductions (gross income)? Was it...

- Under \$10,000
- \$10,000 - \$20,000
- \$20,001 - \$30,000
- \$30,001 - \$40,000
- \$40,001 - \$50,000
- \$50,001 - \$60,000
- \$60,001 - \$70,000
- \$70,001 - \$90,000
- Above \$90,000

62) And after deductions and taxes (net income)? Was it...

- Under \$10,000
- \$10,000 - \$20,000
- \$20,001 - \$30,000
- \$30,001 - \$40,000
- \$40,001 - \$50,000
- \$50,001 - \$60,000
- \$60,001 - \$70,000
- \$70,001 - \$90,000
- Above \$90,000



63) In the year 2001, in what range was your total household income, before taxes and deductions? Your household income includes members of your family who are living with you. Was it...

- Under \$10,000
- \$10,000 - \$20,000
- \$20,001 - \$30,000
- \$30,001 - \$40,000
- \$40,001 - \$50,000
- \$50,001 - \$60,000
- \$60,001 - \$70,000
- \$70,001 - \$90,000
- \$90,000 - \$100,000
- Above \$100,000

64) Before we wrap up the interview, I would like to know if there is anything else you'd like to add about issues facing self-employed women or any question I didn't ask today that you thought I should have asked?

Thank you so much for your time in completing this interview. We expect to have the results of this phase summarized by May 2002. We will be scheduling the second round of interviews in June 2002 so I will contact you in early spring to set up another interview.

## **APPENDIX C: SURVEY FOR PHASE 3 SELF-EMPLOYED WOMEN**

We recently sent you a summary of the perceived advantages and disadvantages for each of the policy options that are intended to provide additional income security to self-employed women for caregiving and sick leave. The purpose of sending you this information is to enable you to respond to this survey with an increased awareness of other people's perspectives. This survey will ask you to rate your level of agreement and disagreement with various statements. We will also ask you to specify the kinds of conditions that are necessary, for you to support particular policy options. There are about 25 items in this survey. We truly appreciate the time you have devoted to this study!

As a reminder, this research is being conducted by faculty at the University of Guelph and is funded by Status of Women Canada. All information provided in this survey will be kept anonymous. The answers will be summarized across all participants. The completed surveys will be printed and stored in a locked cabinet at the University of Guelph. You are free to skip any questions you do not wish to answer.

Instructions for filling out the survey:

By e-mail:

- 1) Print out a copy of the survey. The formatting may change after you press the reply button, so it will be easier to read if you have a hard copy on hand.
- 2) Press the reply button.
- 3) Mark your answers with an X.
- 4) Press send.

By Fax:

- 1) Print out a copy of the survey.
- 2) Mark your answers with an X.
- 3) Fax survey back to (519) 823-1388.

Please indicate below with an X if you agree to participate.

\_\_\_ I hereby consent to participate in this study.

Please fax or e-mail back your answers by Friday September 25th.

If you have any questions, please contact Jennifer Rooney, Project Co-ordinator at (519) 824-4120 X6763 or [jrooney@uoguelph.ca](mailto:jrooney@uoguelph.ca)

### **Part A: Federal Government/Public Model**

#### ***General Attitudes Toward Extending Maternity and Sickness Benefits***

Please refer to handouts A, B and C.

Currently, employees must contribute approximately 2 percent of their income to the Employment Insurance plan and employers must contribute approximately 3 percent. The maximum insurable earnings is \$39,000.

We are unable to provide an estimate of what it would cost self-employed individuals to participate in a government-regulated plan. This is because the premiums would be based on a number of factors yet to be determined. Although we realize that cost is an important consideration, please answer the following questions as best you can without that information.

Please indicate your degree of agreement/disagreement with the following questions with an X.

1) The federal government should extend maternity and parental benefits to self-employed individuals.

- Strongly disagree
- Disagree
- No opinion
- Somewhat agree
- Agree
- Strongly agree

2) The federal government should extend short-term sickness benefits (from 2 to 15 weeks) to self-employed individuals.

- Strongly disagree
- Disagree
- No opinion
- Somewhat agree
- Agree
- Strongly agree

### ***Voluntary or Mandatory Government Program***

Please refer to handout D.

The current EI program is based on mandatory contributions from employees. In other words, all employees must contribute to the program. The province of Quebec has recently passed legislation that would extend maternity and parental benefits to self-employed individuals. This program will be based on mandatory contributions.

Based on our first round of interviews with various stakeholders, it appears that a voluntary federal government insurance program for self-employed individuals is NOT a viable option for the federal government to undertake.

Please respond to the following three questions.

3) I would be in favour of extending EI special benefits (e.g., maternity, parental, short-term sickness) to self-employed individuals, even if the program was mandatory.

- Strongly disagree  
 Disagree  
 No opinion  
 Somewhat agree  
 Agree  
 Strongly agree

If your answer was agree or strongly agree, go to Question 6 now. If not, please answer the next questions.

4) What aspects of the current EI program would need to be modified for you to support a mandatory program that would extend special benefits (i.e., maternity and sickness) to self-employed individuals?

5) If you are against the idea of a mandatory government program that would extend maternity and parental leave, and sickness benefits, to self-employed individuals, even with changes to the EI program, please mark an X here.

***Changes to the EI Program***

6) How would the following changes affect your opinion about extending special benefits (e.g., maternity, parental and sickness) to self-employed individuals? Please indicate your answer with an X.

a) Broadening coverage to include other kinds of family caregiving (e.g., caring for a critically ill parent, child or spouse).

- Would be less in favour  
 No change in opinion  
 Would be more in favour

b) Extending sickness benefits to more than 15 weeks of coverage (i.e., long-term disability).

- Would be less in favour  
 No change in opinion  
 Would be more in favour

c) Increasing the amount of payable benefits from 55 percent of insurable earnings to between 70 and 75 percent, up to a maximum of \$750 a week.

- Would be less in favour  
 No change in opinion  
 Would be more in favour

d) Allowing the option to take a shorter period of maternity/parental leave with a higher rate of benefits paid.

- Would be less in favour  
 No change in opinion  
 Would be more in favour

e) Allowing women to make a certain amount of earnings while collecting maternity benefits before benefits are reduced.

- Would be less in favour  
 No change in opinion  
 Would be more in favour

f) Increasing the maximum allowable earnings while collecting parental benefits for self-employed individuals. (In other words, the amount of earnings a person could make before their parental benefits are clawed back would be increased for self-employed individuals).

- Would be less in favour  
 No change in opinion  
 Would be more in favour

***Extension of Other Benefits Offered Through EI***

In addition to accessing maternity and sickness benefits, employees may also access EI benefits in the event of job loss. They can also access training programs that are funded through the EI program. Again, in responding to these questions, please remember that if EI benefits were extended to self-employed individuals, self-employed individuals would be required to contribute financially to the plan.

7) The federal government should extend Employment Insurance benefits for loss of work to self-employed workers who go through periods of little or no business income revenue.

- Strongly disagree  
 Disagree  
 No opinion  
 Somewhat agree  
 Agree  
 Strongly agree

8) The federal government should extend access to training programs that are currently funded through the EI program to self-employed individuals.

- Strongly disagree  
 Disagree  
 No opinion  
 Somewhat agree  
 Agree  
 Strongly agree

9) The federal government should extend Employment Insurance for loss of income to self-employed seasonal workers who go through periods with little or no work.

- Strongly disagree
- Disagree
- No opinion
- Somewhat agree
- Agree
- Strongly agree

### **Part B: Quebec's Plan for Extending Maternity and Parental Benefits to Self-Employed Individuals**

Please refer to handout E.

10) The federal government should adopt Quebec's plan for extending maternity and parental benefits to self-employed individuals.

- Strongly disagree
- Disagree
- No opinion
- Somewhat agree
- Agree
- Strongly agree

### **Part C: Tax Sheltered Savings Model**

Please refer to handouts F and G.

11) The government should create a tax sheltered savings plan for self-employed individuals that would allow them to withdraw money from a registered savings plan in the event that their business activity is interrupted, because of family or health reasons. There would be no tax on the money withdrawn, as long as it was used for these purposes. The money would eventually need to be repaid over a 10-to-15 year period. The savings would eventually be rolled into an RRSP.

- Strongly disagree
- Disagree
- No opinion
- Somewhat agree
- Agree
- Strongly agree

12) What conditions and circumstances would affect your opinion about the tax sheltered savings model?

- a) If a government program was not available to self-employed individuals.
- Would be less in favour
  - No change in opinion
  - Would be more in favour
- b) There was a maximum amount that one could withdraw each year, before being taxed.
- Would be less in favour
  - No change in opinion
  - Would be more in favour
- c) The savings plan would be in a separate fund from retirement savings.
- Would be less in favour
  - No change in opinion
  - Would be more in favour

**Part D: Private Insurance Model.**

Please read handouts H and I.

- 13) Private insurance companies should offer plans that provide income to self-employed persons in the event of income loss related to childbirth/adoption.
- Strongly disagree
  - Disagree
  - No opinion
  - Somewhat agree
  - Agree
  - Strongly agree
- 14) Private insurance companies should offer insurance for loss of income that results from family caregiving leave (e.g., illness of an immediate family member).
- Strongly disagree
  - Disagree
  - No opinion
  - Somewhat agree
  - Agree
  - Strongly agree

15) The government should allow self-employed individuals to deduct the premiums they pay on private disability insurance.

- Strongly disagree
- Disagree
- No opinion
- Somewhat agree
- Agree
- Strongly agree

16) The federal or provincial government should play a role in ensuring that all self-employed individuals have access to disability insurance.

- Strongly disagree
- Disagree
- No opinion
- Somewhat agree
- Agree
- Strongly agree

17) The federal or provincial government should play a role in regulating increases in premiums for disability and sickness insurance.

- Strongly disagree
- Disagree
- No opinion
- Somewhat agree
- Agree
- Strongly agree

### **Part E: Overall Preferences**

Now that you've had an opportunity to consider the different policy options in more detail, we would like you to rank your preferences for providing some form of income replacement for self-employed individuals. Some options are not included, because they were deemed not to be feasible, based on our interviews with key stakeholder groups.

18) For maternity and parental benefits, please rank in order, from 1 to 3, with 1 being your MOST preferred option and 3 being your LEAST preferred option.

- Mandatory government plan
- Tax-sheltered plan
- No plan/status quo

19) For short-term sickness benefits, please rank in order, from 1 to 3, with 1 being your MOST preferred option and 3 being your LEAST preferred option.

- Mandatory government plan
- Tax-sheltered plan
- Private insurance



20) For long-term disability benefits, please rank in order, from 1 to 3, with 1 being your MOST preferred option and 3 being your LEAST preferred option.

Mandatory government plan

Tax-sheltered plan

Private insurance

21) For family-related leave circumstances, please rank in order, from 1 to 4, with 1 being your MOST preferred option and 4 being your LEAST preferred option.

Mandatory government plan

Tax-sheltered plan

Private insurance

No plan/status quo

Thank you for taking the time to complete this survey!

If you have any additional comments you would like to make at this time, please let us know below.

Please press the send button.

**APPENDIX D: COST ESTIMATES FOR PARENTAL AND MATERNITY  
CONTRIBUTIONS UNDER BILL 140\***

<b>Revenue</b>	<b>Employee Portion</b>	<b>Employer Portion</b>	<b>Contribution Gross</b>	<b>Tax Credit</b>	<b>Contribution Net</b>
<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
10,000	27.10	18.97	46.07	17.51	28.56
15,000	40.65	28.46	69.11	26.26	42.85
20,000	54.20	37.94	92.14	35.01	57.13
25,000	67.75	47.43	115.18	43.77	71.41
30,000	81.30	56.91	138.21	52.52	85.69
35,000	94.85	66.40	161.25	61.27	99.97
40,000	108.40	75.88	184.28	70.03	114.25
45,000	121.95	85.37	207.32	78.78	128.54
50,000	135.50	94.85	230.35	87.53	142.82
51,500+	139.57	97.70	237.26	90.16	147.10

Note:

\* Cost estimates are based on information gathered in 2000. Please note that these rates would be subject to change, similar to other plans of this kind.

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## ENDNOTES

- <sup>1</sup> Regular benefits provide income in the event of job loss; special benefits pertain to sickness, maternity and parental benefits.
- <sup>2</sup> Home-based child-care providers were seen as an important group to survey and were targeted in our original proposal. They represent a substantial portion of self-employed women and provide a window into how affiliation of individual providers with home child-care agencies or provider networks might affect their income security and access to benefits.
- <sup>3</sup> Women in professional occupations and those in caregiving and personal services were interviewed with the same protocol.
- <sup>4</sup> The same women who participated in Phase 2 were contacted to participate in Phase 3. Out of the 67 contacted, only 32 agreed to participate in Phase 3.
- <sup>5</sup> To enhance the accuracy of memory recall, we asked details about the maternity leave, only if the woman had a child under the age of 14 and was self-employed at the time. This reduced our analysis to 20 women.
- <sup>6</sup> Thirty-six women took time away from their business for health or an illness in the family for more than two weeks. The response category was a five-point scale from very easy to very difficult.
- <sup>7</sup> Women living in Quebec were not asked this question. Instead, they were asked how important they felt it was that Quebec's parental insurance program be implemented. These results are discussed in Chapter 8.
- <sup>8</sup> This question was not posed to individuals who indicated a government-regulated plan was not very or not at all important.
- <sup>9</sup> Women living in Quebec were not asked this question. Instead, they were asked about the adequacy of benefits under Quebec's parental insurance plan. These results are reported in Chapter 8.
- <sup>10</sup> The response category was a four-point scale from very inadequate to very adequate.
- <sup>11</sup> Under the Canada Pension Plan, premiums and the percentage of payable benefits are based on net earnings for self-employed individuals.
- <sup>12</sup> It is possible that some women assumed this referred to 55 percent of their earnings, rather than 55 percent of average insurable earnings up to a maximum of \$39,000.
- <sup>13</sup> The response category was a four-point scale, from definitely feasible to definitely not feasible.



<sup>14</sup> The response category was a four-point scale from very feasible to definitely not feasible.

<sup>15</sup> In December 2000, changes to the EI program reduced the minimum hours worked from 700 to 600.

<sup>16</sup> Quebec's plan and the development of its policy approach significantly predates the changes made to parental leave and benefits policies that took effect December 31, 2000, including the extension of maternity and parental benefits for up to one year.

<sup>17</sup> Based on the opinions of 32 self-employed women and 20 representatives from the other stakeholder groups. Percentages may exceed 100 percent since some respondents indicated a tie between two options. In this scenario, both would be coded as first choice. Private insurance was not included in the ranking question for maternity benefits, because it was not deemed to be feasible.

<sup>18</sup> The response category was a four-point scale from definitely not feasible to definitely feasible.

<sup>19</sup> The response category was a four-point scale from very inadequate to very adequate.

<sup>20</sup> Unless the benefit payable is for business overhead expenses rather than personal income replacement.

<sup>21</sup> The sample is reduced because this question was not posed to home-based child-care providers.

<sup>22</sup> Accessed May 26, 2003.

<sup>23</sup> A voluntary government plan was most preferred in Phase 2. This was not presented as an option in Phase 3, because it was not deemed feasible.

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